

Work is *Love* made visible



17th ANNUAL REPORT 2009-10



“Work is *Love* made visible”

We dedicate this annual report to our people who have made it so visible that they love their work and it is speaking through the company’s consistent performance.

Our theme of this year is chosen from the excerpts of the great Khalil Gibran’s immortal writings. It goes so well with the culture and philosophy of our organization since inception and stood out very evidently in the last 2 years of global strife and crisis.

Work is love made visible.

Life is indeed darkness save when there is urge,
And all urge is blind save when there is knowledge,
And all knowledge is vain save when there is work,
And all work is empty save when there is love;

And when you work with love you bind yourself to yourself, and to one another, and to God.

As leaders, it is our job to help people understand the need for passion in what they do. Without that passion, the work becomes a chore, it becomes something that is hard to achieve and it becomes an uphill struggle. However, when we find our ability to love what we do, our work becomes a demonstration of our love; the work is love made visible.

‘Work is love made visible’ is a frame of mind that centers around what you bring to your work rather than what you take from it. It creates a sense of purpose and desire that raises everything around it. In other words, it improves quality, improves service delivery, increase productivity and of course all of this makes for a profitable business. The difference is the effort comes from within rather than from an external force pushing for improvements.

‘Work is love made visible at Sarla Performance Fiber’

We being an exporter the global gloom of last year made it very tough. However, the love for work in our team made it possible not only to survive but very profitably. The work that we did was like a self chosen pain and therefore it did not hurt us but rather healed. The critical work done on processes in our plant and much needed training/orientation to people will become the stepping stone of our success in the next phase. We will emerge bigger, better than our past size and growth largely due to some of the invaluable learning of last 2 years of crisis.



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Board of Directors:

Madhusudan Jhunjunwala	Chairman & Whole-time Director
Krishnakumar Jhunjunwala	Managing Director
Arun Vaid	Director
Sanjay Karandikar	Director
Jigar Shah	Director

Company Secretary:

Manish Agarwal

Audit Committee:

Arun Vaid	Chairman
Madhusudan Jhunjunwala	Member
Sanjay Karandikar	Member

Auditors:

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

Bankers:

Andhra Bank	Citibank
Corporation Bank	DBS Bank
Standard Chartered Bank	

Registered Office:

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

Plants:

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

2) Survey No. 64/2/3/4, 61/2, 62/5, 63/5, 63/7,
Amli Piparia Industrial Estate, Silvassa - 396 230,
U.T. of Dadra & Nagar Haveli

3) Shed No. A1/48, 100 Sheds Area, GIDC,
VAPI - 396 195.

Corporate Office:

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

Website:

www.sarlafibers.com

Investors services e-mail id:

investors@sarlafibers.com

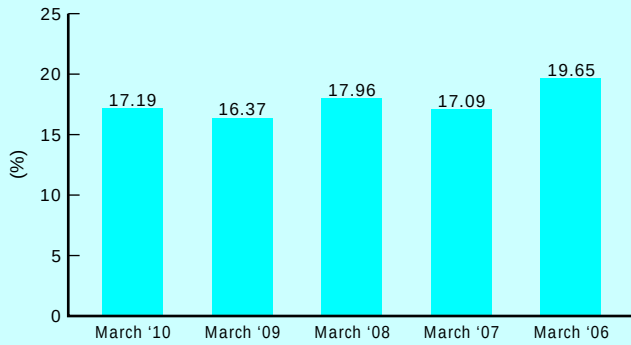
Registrars & Transfer Agents:

M/s. Sharex Dynamic (India) Pvt. Ltd., 17/B,
Dena Bank Building, 2nd Floor, Horniman Circle,
Fort, Mumbai – 400 001.

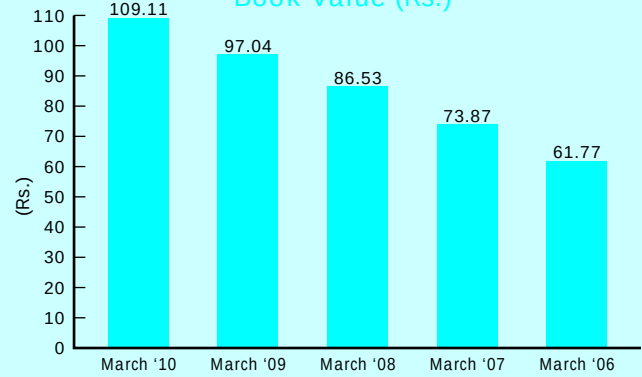


PERFORMANCE AT A GLANCE

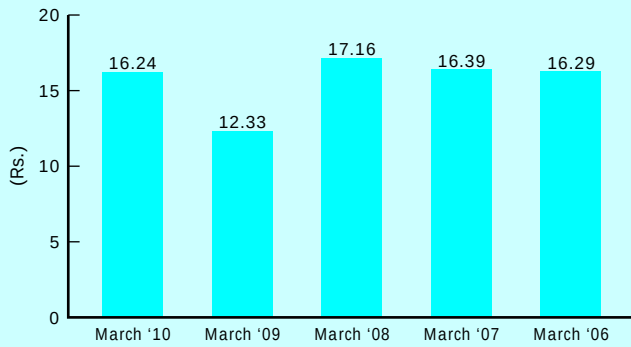
Operating Profit Margin (Excl.O.I.) (%)



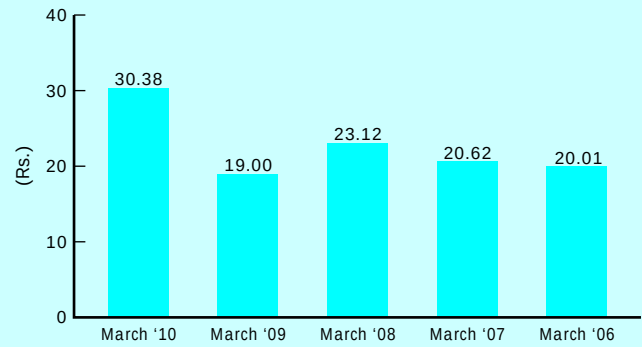
Book Value (Rs.)



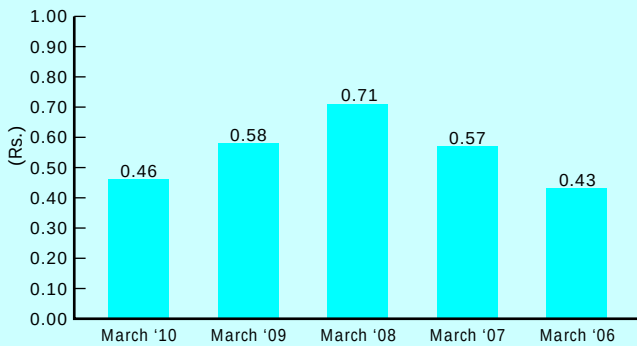
Earning Per Share (Rs.)



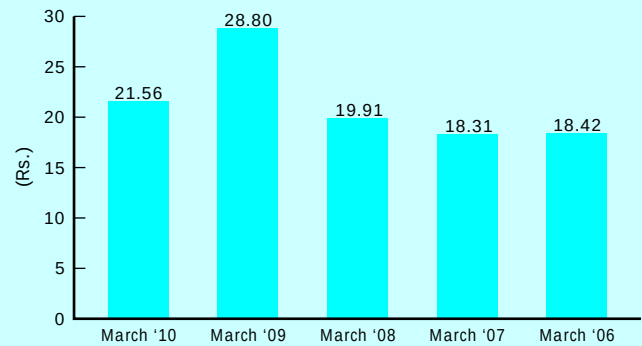
Cash Earning Per Share (Rs.)



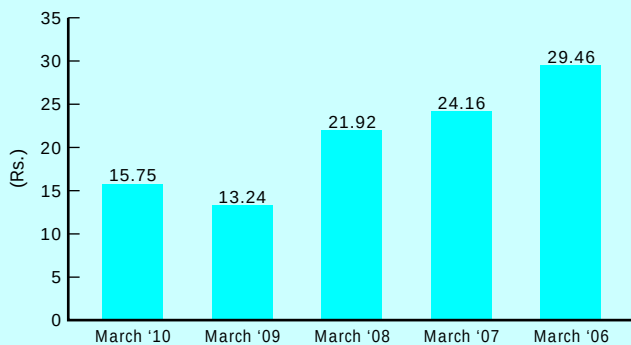
Debt / Equity



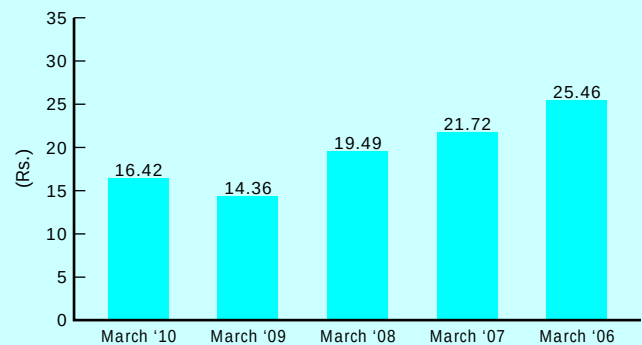
Dividend Payout (%)



Return on Avg. Net Worth (%)



Return on Cap. Employed (%)



FROM THE DESK OF MANAGING DIRECTOR

Dear Shareholders,

Greetings to each one of you and thanks for steadfastly remaining with us in one of the most difficult years since inception. We will soon usher into a new growth phase after the last 2 years of struggle as these years also brought a lot of learning with them. We have used this phase to create new opportunities in core business and the benefit of that will be felt in the form of increased earnings, expansion and dividend.

Let me give you a little back drop from what we laid out as a priority last year. We talked about maintaining sales, keeping tight control over costs and maintaining cash flow. I am happy to inform you that we exceeded these and did some more as well. As we get into the habit of creating positive surprises for ourselves the barriers to growth will come down.

Our outsourcing model for supply of polyester/nylon threads to large garmenting and fashion companies globally has continued to strengthen. As you will see from our performance, even though volumes are down the increase in selling prices helped our profits. The increase in selling prices was a direct result of new value added products, and working closer with large customers.

Another good thing that I must share with you is that our experiment with setting up of JV unit in Honduras – Central America in 2005 has turned into a very profitable decision. Our goal was to work near the customer to customize his needs and source from India so that we can make a reasonable return on our investment. In the pursuit, we have cumulatively earned Rs 10,114.11 millions in revenue and profits of Rs. 884.59 millions over the last 17 years. Return on investment of a whopping 88%! This has given us the confidence to explore and set up similar arrangements in other parts of the world. Some of these will start showing results from current year.

To serve growing needs of some of our large customers we have expanded dyeing house last year which is now much more sophisticated than before. Dyeing is a very critical part of our business and will greatly contribute towards providing

further value addition. Some other investments have gone into new machines and warehousing.

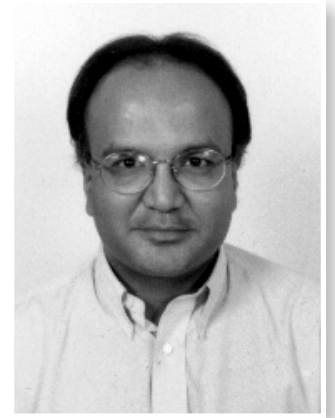
Over the past 5 years our consolidate revenue growth has been 24% and earnings growth 14%. Barring unforeseen situations, we should come back to a more normal growth this year. While our effort is to always reduce dependence on external factors I must caution that we cannot be completely 'decoupled' with the actual situation globally. Compared to past we have emerged better on sales, product mix, cost control and so on. However, a lot more is to be done if we have to work grow with the giants in apparel, inner ware and specialized clothing business. Taking a leaf from the book of very successful pharmaceutical and auto part companies if our outsourcing has to attain scale it will need superior processes. We are taking help of a renowned global consultant to prepare us on this aspect beginning this year.

First time investment in wind power energy was made last year, which is our little contribution to the environment. It also made good sense to us to invest some of the surplus cash flow and secure the power requirements.

With strong earnings and a minimal debt in the Balance Sheet, we have a solid future ahead of us. I share feeling of many of you that we have not been accorded a deserving market value for our good work given the lackluster state of textile sector as a whole. I am sure over the long term shareholder returns will only improve from the present levels because our strong performance and growing size cannot be ignored for too long.

Yours truly,

KRISHNAKUMAR JHUNJHUNWALA.



TECHNOLOGY.
INNOVATIONS.
SOLUTIONS.



DIRECTOR'S REPORT

To,
The Members,

Your Directors have pleasure in presenting their Seventeenth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2010.

Global warming can be traced to 6 families of pollutants – Methane, Carbon Dioxide, Halocarbons, Black Carbon, CO and VOCs, and Nitrous oxide. These gases and black carbon are emitted from many human endeavors, from transportation to farming to heating.

1. FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2009-10	2008-09
Total Income	13,245.18	12,184.37
Profit before Financial Charges and Depreciation	2,345.61	2,012.03
Less: Financial Charges	234.43	299.91
Depreciation	<u>512.52</u>	<u>476.15</u>
Profit before Tax	1,598.67	1,235.97
Less: Provision for Tax	400.00	324.24
Provision for Deferred Tax	70.20	60.76
Provision for Fringe Benefit Tax	0	6.34
Profit after Tax	1128.43	844.63
Prior period Adjustments	0	(12.22)
Balance brought forward	3,292.46	3,044.65
Short Provision of Income Tax of earlier years	5.62	—
Surplus available for appropriation	4,415.27	3,877.06
APPROPRIATION		
Transfer to the General Reserve	300.00	300.00
Dividend @ 35% (P.Y. 35%)	243.26	243.26
Dividend Tax	40.40	41.34
Balance carried forwarded to the Balance Sheet	3,831.60	3,292.46

2. BUSINESS PERFORMANCE

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

- *Operations: During the year under review the sales of the Company were Rs. 13161.68 Lacs as against Rs. 12,163.75 Lacs in 2008-09 registering an annual growth of 8.20%. The FOB value of exports decreased by 2.54% from Rs. 69,80.04 Lacs to Rs. 68,02.49 Lacs.
- * Profitability: The profit before Depreciation, Interest & Tax was Rs. 23,45.61 Lacs as compared to Rs. 20,12.03 Lacs in the previous year. After providing for depreciation of Rs.512.52 Lacs (Previous Year Rs. 476.15 lacs) & provision for taxation of Rs.470.24 Lacs (Previous Year Rs. 391.34 lacs), there was a net profit of Rs.1128.43 Lacs as compared to Rs. 844.63 Lacs in the Previous Year.
- * Dividend: Your Directors have pleasure in recommending dividend @ 35% for the year ended 31st March 2010.

3. MANAGEMENT DISCUSSION & ANALYSIS

This section of the Directors' Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance

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

DIRECTOR'S REPORT

A. Business Overview:

- Economy:** During the year 2009-10, the Indian economy has grown at the rate of 7.4 per cent and is widely estimated to increase growth rate in the long term. For the next year India's GDP growth estimates vary between 8% to 9.5%. The global slowdown was having a wide ranging impact on consumption and saving habits of people in the developed market in the last 2 years. This situation has slightly improved but the ongoing crisis in Europe and partial recovery in the US will stop the global growth rate well ahead of what it achieved in 2005 to 2007.
- Business Overview:** Sarla Performance Fibers Limited, is one of the well established and niche companies exporting regular as well as high tenacity polyester and nylon yarns. It started its operations 17 years back as a commodity manufacturer of Man Made Fiber. However, in the past seven years, it has successfully transformed the business strategy and implemented a niche business model. It has an installed capacity of 11700 tonnes per annum for manufacturing yarns in Silvassa and 2400 tonnes per annum for a Dyeing unit at Vapi. The company's emphasis has been to focus on niche end user applications, higher value added yarns to leading global apparel brands and companies. While it still manufactures some commodity yarns, the major focus has been in the area of performance fibers. To aid the strategy further, the company has also set up a manufacturing

facility under JV in 2006 in Honduras, Central America. This has enabled the company to tap the North American market, the largest market for performance yarns in the world. With this JV, the company supplies to global textile majors such as Delta, Hanes Brands Inc., Fruit of The Loom, Russell etc.. due to global positioning for supplying of our products. With the signing of the CAFTA treaty major garment and apparel companies (especially North American Companies) are shifting their manufacturing facilities to Central America resulting in this region becoming a fast growing textile manufacturing hub. During the year under review, your company has established partnerships for outsourcing business from Europe.

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

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

Of the above segments we faced significant reduction in demand for industrial yarn last year. This happened mainly as large garment manufacturers decided to stop inventory creation and instead focused on clearing their stocks. This phase of stock clearance is not yet fully over and some revival in demand could be expected not before early 2010.

(% of Total Sales)

Particulars	FY 2009-10	FY 2008-09
Innerwear, Narrow Fabrics, Hosiery and Sportswear	47.45	41.03
Threads	19.44	36.30
Industrial Yarns	7.77	3.29
Commodities	25.34	19.38
	100.00	100.00

Turnover Break Up (Geographical)

(% of Total Sales)

Region	FY 2009-10	FY 2008-09
South, North & Central America	13.17	14.78
Middle East & Europe	35.63	28.13
Africa	2.51	2.08
Asia Pacific	48.69	55.01
	100.00	100.00

B. Opportunities and Threats:

Unfortunately, there are only threats and weaknesses to highlight for India's textile sector. The opportunities are significant but to realize will require a totally different mindset of government and companies engaged in this sector. The textile sector exports amounted to approximately Rs. 900bn in FY09 at a similar level to that in FY08. The growth in ready made garment exports and man made fibers was yet good while the other segments like cotton and handloom sector suffered badly. To support the sector which is a large employment generator the government has continued to provide incentives such as a) extension of textile up gradation fund (TUF), b) increased budget outlay, c) schemes to promote integrated

textile park in many states, and d) lower interest rates for exporters etc. However, the income tax benefits for exporters will expire with the implementation of new taxation norms in 2011 proposed by the ministry of finance. Most of the textile units in India are small and fragmented and suffer from lack of automation. Due to poor logistics and power supply their cost of production is very high and with these deficiencies one cannot expect this sector to achieve economies of scale like it has in China. Also, the emphasis on value addition is missing. There is no additional benefit to those who are focusing on value added production. Thus, structurally the sector will continue to suffer until these gaps are addressed. Textile sector certainly cannot expect to become software sector in the near to medium term.

DIRECTOR'S REPORT

C. Outlook:

Despite the textile industry's continuing woes, your company has built significant capabilities and will look to find suitable opportunities for growth. The desire is to grow much faster than compared to past. Our pursuit for tackling cost efficiencies, quality enhancement will enable greater growth in future on organic basis. Also, we will look for growth beyond Indian boundaries by setting up new manufacturing facilities. We have talked about a 20% plus

growth on an annual basis in the past but situations like last 2 years have been extraordinary which forced us to give priority to risk management. We have not taken sights off that target and will get to that benchmark with little support from the environment.

D. Financial Performance:

Turnover: The company turnover grew by 0.62% per cent in FY 09-10 (excluding trading sales). This is despite decrease in volume by 7.39%.

Item	2009-10	2008-09	% Increase
Raw Material Cost	6,852.52	6,678.54	2.61
Expenditure	3,944.01	3,785.86	4.18
EBIDTA	2,345.61	2,012.03	16.58
Interest Cost and Debt	234.43	299.91	(21.83)
Fixed Assets (Gross Block)	8,571.84	7,256.42	18.13
Net Current Assets	5,570.89	5,781.39	(3.64)
Working Capital Finance	2,917.38	3,695.45	(21.05)
Cash & Bank Balances	759.51	963.14	(21.14)

Note: standalone performance comparison.

E. Risks and Concerns:

Interest Rates: The company's average gross interest cost in the year 2009-10 was 7.73% as compared to the previous year 8.80%. The company's present Debt equity Ratio is 0.46. The long term Debt equity Ratio is zero. Interest costs and debts are being managed in the most effective manner. A rising interest rates scenario will not be a threat, at present because the company's strategy is to grow from internal accruals.

Exchange Rate: 54 per cent of company revenue is in foreign currency (USD/EURO/GBP) and balance revenue in Indian Rupee. Also, we import 40 per cent of total turnover, i.e. including trading sales (89.29% of total raw material purchases) creating a natural hedge to that extent. Apart from this, from time to time forward cover is taken to hedge exposure in foreign currency.

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

Competition: The company strives to be one step ahead of the competition. This is accomplished by being a vertically integrated in almost all the segments of our business. This not only gives a cost advantage against the competition but also allows for better quality control and service to supply the special needs of the customer. While serving various global customers in the industrial yarns, covered yarns and other special applications we have made several process innovations and that provides us with a competitive advantage. We remain confident that by using this innovative methods and experience,

we will continue to sustain this competitiveness in time to come. More importantly, over the past 5 years we have invested Rs. 39.95 cr in new machinery and other infrastructure in line with increasing expectations of customers.

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.

H. Capital Expansion and Investment:

Last year, we did not incur any major capital expenditure as the utilization of present capacities remained below 70%. We do not expect to incur major capital expenditure in the current year as well.

DIRECTOR'S REPORT

I. Performance Analysis

Item	2009-10	2008-09	2007-08	2006-07	2005-06
A. Operational Performance (%)					
Operating Profit Margin (incl. O.I.)	17.82	16.54	18.77	19.53	20.48
Interest / Sales	1.78	2.47	1.69	1.61	1.38
Tax/PBT	29.41	31.66	19.42	23.14	20.11
Net Profit Margin	8.57	6.94	10.97	11.48	12.91
B. Financial Performance					
Debt / Equity (x)	0.46	0.58	0.71	0.57	0.43
Interest Coverage (x)	10.01	6.71	11.10	12.17	15.02
Average Cost Of Debt (%)	6.34	7.36	5.24	6.63	6.73
Debtors Period (days)	95.87	108.55	112.76	90.77	97.57
Closing stock (days)	65.40	69.15	71.12	61.37	60.17
Inventory Turnover Ratio (x)	5.58	5.28	5.13	5.95	6.07
Fixed Assets Turnover (x)	2.23	2.39	2.24	2.80	2.59
Net Current Assets Turnover (x)	2.36	2.10	2.07	2.28	3.00
C. Valuation Parameters					
Earnings Per Share (Rs.)	16.24	12.33	17.16	16.39	16.29
Cash Earnings Per Share (Rs.)	30.38	19.00	23.12	20.62	20.01
Dividend Per Share (Rs.)	3.50	3.50	3.50	3.00	3.00
Dividend Payout (%)	21.56	28.80	19.91	18.31	18.42
Profit Ploughback (%)	78.44	71.20	80.09	81.69	81.58
Book Value (Rs.)	109.11	97.04	86.53	73.87	61.77
Return on Avg. Net Worth (%)	15.75	13.24	21.92	24.16	29.46
Return on Avg. Cap. Employed (%)	16.42	14.36	19.49	21.72	25.46

J. Value Added Statement

(Rs. in Lacs)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Income from Production / Operations	13,058.64	12,455.81	11,150.33	9,865.85	8,980.10
Add: Other Income	83.50	20.63	89.36	144.25	90.34
Corporate Output	13,142.14	12,476.43	11,239.68	10,010.10	9,070.44
Less: Cost of Raw Materials Consumed	5,843.62	6,533.40	5,826.27	5,508.23	4,909.69
Less: Cost of Traded Goods	1,008.90	145.15	201.01	—	70.73
Less: Other Manufacturing Expenses	2,586.20	2,479.36	2,086.49	1,837.75	1,635.24
Less: Administrative & Other Expenses	1,109.35	1,093.37	843.74	605.10	557.50
Equals Gross Value Added	2,594.08	2,225.15	2,282.18	2,059.02	1,897.28
Less: Depreciation & Amortisation	512.52	476.15	384.91	294.48	259.02
Less: Extra Ordinary / Prior Period Items	5.62	12.22	73.22	59.34	(6.96)
Equals Net Value Added	2,075.94	1,736.78	1,824.05	1,705.20	1,645.22
Allocation of Net Value Added					
To Personnel	248.46	213.12	162.91	123.85	101.94
To Taxes (including tax on proposed dividend)	510.65	432.68	335.95	372.74	314.09
To Creditors (via interest)	234.43	299.91	188.21	159.68	119.53
To Investors (via dividend)	243.26	243.26	243.26	208.51	208.51
To The Company (via retained earnings)	839.15	547.81	893.72	840.42	901.15
	2,075.94	1,736.78	1,824.05	1,705.20	1,645.22

DIRECTOR'S REPORT

4. SUBSIDIARY COMPANY

Sarla Overseas Holdings Limited

The company had floated a 100% wholly owned subsidiary namely Sarla Overseas Holdings Limited, registered under The BVI Business Companies Act, 2004, British Virgin Islands during the year 2006-07. The parent company M/s Sarla Performance Fibers Limited has invested in the capital of M/s Sarla Overseas Holding Limited, a total of US\$ 4,35,000 equivalent to Rs. 183.22 Lacs. The Subsidiary Company is holding 40% stake in M/s Savitex, SA De CV, a Joint Venture and is holding 60% share in Sarla Europe which has started the operations in the year 2009-10.

The Joint Venture M/s Savitex, SA De CV has made a total turnover of Rs. 3,223.50 Lacs and earned a total net profit of Rs. 670.51 Lacs after depreciation in the financial year 2009-10. This joint venture of the company has established a strong presence in the growing market of Central America, the biggest market for high tenacity nylon and polyester products in the world.

The Consolidated Income from Operations and consolidated net Profit (after share of loss in associate company) of M/s Sarla Overseas Holding Limited including its share of Joint Venture in M/s Savitex, SA De CV and the Share of loss in Sarla Europe, a subsidiary of Sarla Overseas Holdings Limited, were Rs. 2370.54 Lacs and Rs. 585.15 Lacs respectively in the financial year 2009-10. Local Laws do not have mandatory requirement of the Audit of the Accounts of Joint Venture Company but the company has employed external auditor to give true and fair picture of the Accounts.

5. FIXED DEPOSIT

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

6. PERSONNEL

Particulars of employees within the meaning of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, employee who was in receipt of remuneration prescribed under the said Rules, as per annexure "A".

7. AUDITORS & AUDITORS REPORT

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

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

8. CORPORATE GOVERNANCE

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

9. DIRECTORS' RESPONSIBILITY STATEMENT

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

i. Directors have followed the applicable Accounting Standards in the preparation of the Annual Accounts and proper explanation relating to material departures have been given in Schedule 20 of Notes on Accounts forming part of the accompanying Accounts

ii. Directors have selected the Accounting Policies as given in Schedule 20 of Notes on Accounts and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the company as at 31st March, 2010 and of the profits of the company for the year ended on that date.

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

iv. Directors have prepared the Annual Accounts for the year ended 31st March, 2010 on a Going Concern basis.

10. CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit and Loss Account, it may be observed that the net profit after tax (before share of loss in associate company and prior period expenses) stands at Rs. 1691.64 Lacs.

11. SUBSIDIARY

As required under the provisions of Section 212 of the Companies Act, 1956, the accounts together with Directors' Report of the subsidiary company namely Sarla Overseas Holdings Limited., made out in accordance with the requirements of the Companies Act, 1956, are appended to and form part of the Annual Report.

A statement as required under Section 212 of the Companies Act, 1956 is also enclosed.

DIRECTOR'S REPORT

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

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

Our carbon based fuels have very different characteristics. Oil and natural gas have more energy, pound for pound, than coal. But oil produces 40 per cent more CO₂ than gas, and coal creates 40 per cent more than oil. Wood, the only renewable carbon based fuel, contains the least energy by weight.

FORM 'A'

Form for Disclosure of particulars with respect to conservation of Energy

	Current Year 2009-10	Previous Year 2008-09
A. Electricity		
a) Purchased		
Unit	18,872,288.00	17,336,463.00
Total Amount (Rs.)	76,169,507.29	69,334,926.00
Rate/Unit (Rs.)	4.04	4.00
b) Own Generation		
1) Through diesel generator	183,872.00	285,940.00
Unit per ltr. of diesel oil	3.43	3.26
Cost/Unit (Rs.)	7.45	8.48
2) Through steam turbine generator	—	—
B. Coal (Specify quantity & where used)	—	—
C. Furnace Oil		
For Generating steam for Boiler – Ltrs.	526,951	443,748
Total Amount (Rs.)	12,392,981	10,000,432
Cost/Ltr. (Rs.)	23.52	22.53
D. Others/Internal generation	—	—

E. Consumption per unit of production

	Standard (if any)	Current Year 2009-10	Previous Year 2008-09
Product – Yarns (M.T.)	—	9388	9642
Electricity – Units	—	2030	1828
Furnace Oil – Ltrs.	—	196	173
Coal (Specify quality)	—	—	—
Others (Specify)	—	—	—

FORM 'B'

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

1.	Specific areas in which R & D is Carried out by the company	New Product Development, Process Development and Optimising Process Parameters.
2.	Benefits derived as a result of the above	Introduction of several new types of Polyester and Nylon Yarn.
3.	Future Plan of Action	To meet the increasing requirement of customers around the world and development of new products.

DIRECTOR'S REPORT

3.	Expenditure on R & D. a) Capital b) Recurring c) Total d) Total R & D expenditure as per percentage of total Turnover.	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. N. A.
4.	Technology absorption, adoption and innovation. 1. Efforts in brief, made towards Technology absorption, adoption and innovation products 2. Benefit derived as a result of the above efforts e.g product improvement, cost reduction, development, import substitution, etc. 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. 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.	Continuous efforts towards improvement of process and equipment are made out to suit market requirements and to achieve optimum operational efficiency. Introduction of several new products N. A.

b) Export Plans & Foreign Exchange earnings and outgo:

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

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

FOREIGN EXCHANGE EARNED
(Rs. in Lacs)
Rs. 6,802.49

FOREIGN EXCHANGE USED
(Rs. in Lacs)
Rs. 6,537.73

13. ACKNOWLEDGMENT

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

For & on behalf of Board of Directors

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: Mumbai.
Date : 17th May, 2010

Annexure 'A' to Directors' Report

Statement pursuant to Section 217(2A) if the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Name	Age	Designation	Remuneration Rs.	Qualification	Total Experience (Years)	Date of Commencement of Employment	Last Employment with Designation
1	Krishnakumar M Jhunjunwala	48	Managing Director	30,00,000/-	B.Com	25	28.09.1994	—

ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

1. Name of the Subsidiary	: Sarla Overseas Holdings Ltd.	Sarla Europe
2. Holding Company's Interest	: 4,35,000 Shares	3 Shares
3. Extent of Holding	: 100%	
4. Subsidiary Financial Year	: 31st March, 2010	31st March, 2010
5. Net aggregate amount of subsidiary's Profit/(Loss) not dealt within the Holding Company's accounts:		
i) For the Financial Year of the Subsidiary (Rs. in lacs)	: 319.55	(29.60)
ii) For the previous financial years of the subsidiaries since they become the holding company's subsidiaries (Rs. in lacs)	: 59.59	—
6. Net aggregate amount of subsidiary's Profit/(Loss) Dealt within the holding company's accounts		
i) For the Financial years of the subsidiaries	: —	—
ii) For the previous financial years of the since it become the holding company's subsidiary.	: —	—

For & on behalf of Board of Directors

Place: Mumbai.
 Date : 17th May, 2010

(MADHUSUDAN S. JHUNJHUNWALA)
 Chairman & Whole Time Director

In terms of the total volume of electricity already being produced from wind, the United States is in first place. Germany, with a much smaller population, is a close second. Spain, with a population half that of Germany, has more than 2/3rd of Germany's wind capacity. China is 4th in overall installed wind capacity, but 2nd only to the United States in new capacity added in 2008, and is expected to climb to second place overall in 2010. India is in 5th place in installed capacity, but 3rd in the number of new windmills added in 2008.

CORPORATE GOVERNANCE REPORT

Annexure - A

INTRODUCTION

Sarla Performance Fibers Limited (SPFL) [Formerly Sarla Polyester Limited (SPL)] 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

Windpower uses less land than any other renewable energy option, but it is the most visible on the horizon.

interest of other stakeholders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholders value.

2. BOARD OF DIRECTORS :

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

The Board of Directors as on 31st March, 2009 and as on the date of this report comprises Executive and Non Executive Directors. The present strength of the Boards is five Directors, consisting of Two Executive and three Non-Executive Directors. The Chairman & Whole-time Director and Managing Directors are Executive and Promoter Directors. The remaining three Directors are Non Executive and Independent Directors.

The information on composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and committees of other public companies of which the Director is a member/Chairman is as under :-

Name of Directors	Category	Financial Year 2009-10		Attendance at the last AGM	No. of Directorship in other Public Companies incorporated in India	Committee positions held in other Public Companies
		Board Meetings Held	Board Meetings Attended			
Mr. Madhusudan S. Jhunjhunwala	Chairman - Executive - Promoter	9	9	Yes	—	—
Mr. Krishnakumar M. Jhunjhunwala	Managing - Director - Promoter	9	5	Yes	—	—
Mr. Sanjay Karandikar	Director-Non Executive - Independent	9	8	No	—	—
Mr. Arun Vaid	Director-Non Executive - Independent	9	9	Yes	—	—
Mr. Jigar A. Shah	Director-Non Executive - Independent	9	8	No	—	—

During the year under review, 9 Board Meetings were held on 15th May, 2009, 30th June 2009, 31st July, 2009, 3rd Oct, 2009, 31st Oct, 2009, 22nd Dec 2009, 23rd Jan 2010, 8th Feb, 2010 & 27th March, 2010.

Relationship among the Directors

Mr. Madhusudan S. Jhunjhunwala and Mr. Krishnakumar M.

Jhunjhunwala, Directors are related to each other. Other Directors are not related to them or among each other.

3. CODE OF CONDUCT

The Company has in place a Code of Conduct for all the Directors and all Employees of the Company. All the Directors and senior management personnel have confirmed Compliance of the same

CORPORATE GOVERNANCE REPORT

during the year. A declaration to the effect signed by the Chairman forms part of this Report.

4. AUDIT COMMITTEE

Name of Directors	Category	No. of Meetings Held	No. of Meetings Attended
Mr. Madhusudan S. Jhunjhunwala - Member	Executive	5	5
Mr. Arun Vaid - Chairman	Non-Executive	5	5
Mr. Sanjay Karandikar - Member	Non-Executive	3	3
Mr. Jigar A. Shah- Member	Non-Executive	2	2

Terms of reference of the Audit Committee is the same as specified in Section 292 A of the Companies Act 1956 and as per the Corporate Governance.

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

5. REMUNERATION COMMITTEE & REMUNERATION TO DIRECTORS

Remuneration Committee of Board of Directors is consists of Mr. Arun Vaid, Mr. Sanjay Karandikar and Mr. Jigar A. Shah, Independent Directors as members of the Committee. During the year Meeting of Remuneration Committee was held on 3rd Oct, 2009. The Meeting was attended by Mr. Arun Vaid, Mr. Sanjay Karandikar and Mr. Jigar A. Shah.

The details of sitting fees paid to the Directors during the year 2009-10 are given below:-

Name of Directors	Sitting Fees (Rs.)
Mr. Arun Vaid	16,000/-
Mr. Sanjay Karandikar	14,000/-
Mr. Jigar A. Shah	15,000/-

During the year under review, Five meetings of the Audit Committee were held on 15th May 2009, 30th June 2009, 31st July, 2009, 31st Oct, 2009 and 23rd Jan 2010. The composition of the committee and attendance at its meetings is given below :

Company has paid a remuneration of Rs.30,00,000.00 to Mr. Krishnakumar M. Jhunjhuwala, Managing Director and Rs. 20,00,000.00 to Mr. Madhusudan S. Jhunjhunwala, Chairman & Whole Time Director of the Company during the financial year 2009-2010.

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

Managing Director:

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

Chairman & Whole Time Director:

Period of Contract : 5 Years from 01st August 2005
Termination of Contract : By either party giving 3 Months notice
Severance Fees : Nil

6. INVESTOR'S GRIEVANCE COMMITTEE

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

During the year no Meeting of Investors' Grievance Committee was held because there was no matter took place which required consideration by the Investors' Grievance Committee during the year.

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

Sarla Performance Fibers Limited,
304, Arcadia, 195 Nariman Point, MUMBAI - 400 021
Tel: 2283 4116/4420
Fax: 2285 1728

The predictability and reliability of wind in certain areas has led to the exploitation of this natural flow of energy since ancient times. Wind has been used as a source of energy at least since the invention of sails more than 5,000 years ago.

CORPORATE GOVERNANCE REPORT

E-mail: manish@sarlafibers.com

Website: www.sarlafibers.com

During the year, no complaints were received from the shareholders, however we have received letters for re-validation of Dividend Warrants, Non-Receipt of Dividend Warrants/Share

Certificates etc. and the same have been attended within the stipulated time.

7. GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings:

AGM for the Financial Year	Date	Time	Venue
2006-07	28th September 2007	11:30 a.m.	Registered Office of the Company: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 U.T. OF D. & N. HAVELI.
2007-08	30th September 2008	11:30 a.m.	
2008-09	29th September 2009	11:30 a.m.	

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

8. DISCLOSURES

* Disclosure on materially significant related party transactions.

Please refer note 15 of the Schedule 20 to the Accounts. These transactions do not have any potential conflict with the interest of the Company at large.

* CEO/CFO Certification

A certificate from the CEO and CFO, in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held to approve the Audited Annual Accounts for the year ended.

* Non-Mandatory Requirements:

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

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

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 2009-2010 there is no Audit qualification in the Company's financial Statements.

D. The Company has a remuneration Committee which conforms all the requirement of Corporates Governance.

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

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

9. MEANS OF COMMUNICATION

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

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

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

10. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting	
Date and Time	Refer notice of Annual General Meeting.
Venue	Refer notice of Annual General Meeting.
Date of Book Closure	Refer notice of Annual General Meeting.
Financial Calendar	1st April 2009 to 31st March 2010 The results will be published as under : First Quarter Before 14th of August, 2010 Second Quarter Before 15th of November, 2010 Third Quarter Before 15th February, 2011 Fourth Quarter/Annual Last week of May, 2011
Dividend payment date	Refer notice of Annual General Meeting.

CORPORATE GOVERNANCE REPORT

Annual General Meeting

Listing on Stock Exchanges and Stock Code

- * Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001.
- Stock Code No. 526885 and
- * National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra East, MUMBAI – 400 051
- SARLAPOLY

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

11. MARKET PRICE DATA:

Monthly high/low during the year 2009-2010 on the Bombay Stock Exchange and National Stock Exchange.

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	45.95	30.00	47.00	29.15
May 2009	64.00	39.00	70.40	40.25
June 2009	67.50	52.55	70.00	45.10
July 2009	66.90	48.25	67.00	48.00
August 2009	65.00	53.55	66.90	47.50
September 2009	76.70	61.45	78.80	60.40
October 2009	66.35	53.60	67.00	55.20
November 2009	71.00	56.80	76.50	54.50
December 2009	75.80	64.45	77.00	61.25
January 2010	90.90	69.60	83.15	71.15
February 2010	95.90	72.35	96.40	73.05
March 2010	92.90	75.00	94.00	74.60

Chart of Company Share Prices compared to BSE SENSEX.

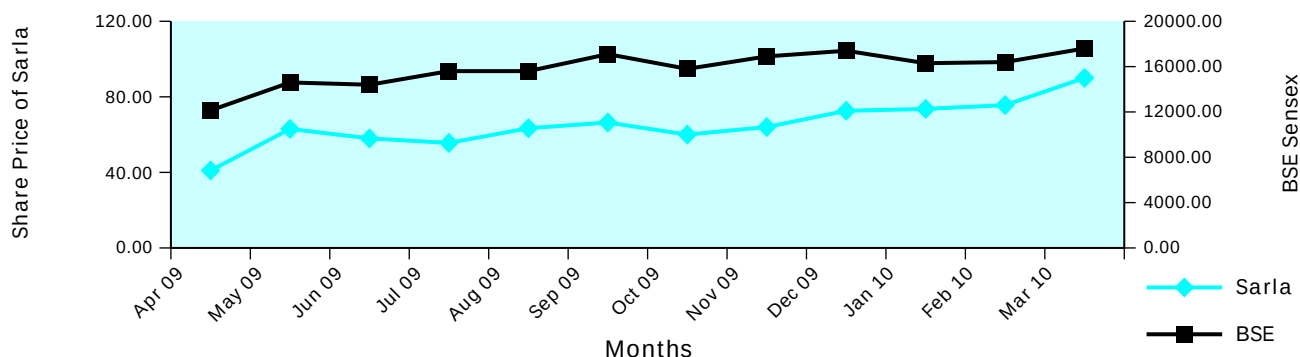
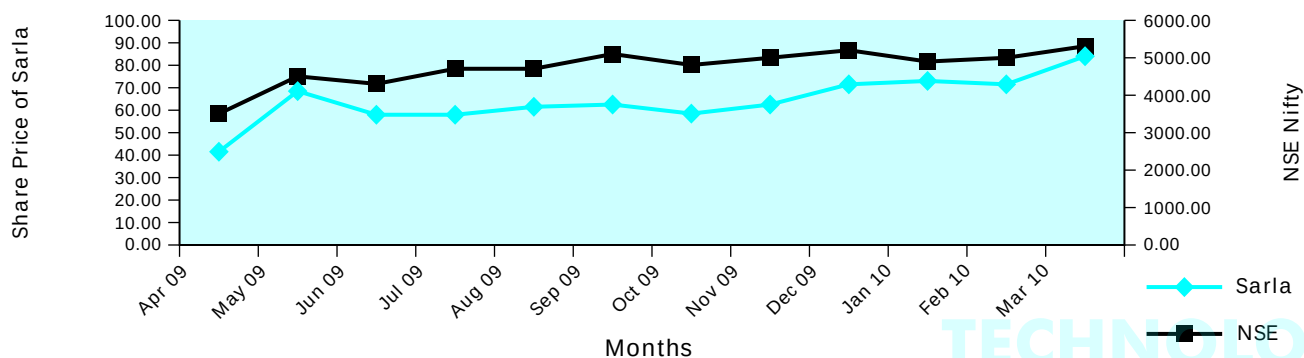


Chart of Company Share Prices compared to NSE Nifty Index.



CORPORATE GOVERNANCE REPORT

12. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2010

Shares of Nominal Value (Rs.)		Shareholders		Total Amount (Rs.)	
From	To	Number	% to Total	Number	% to Total
1	5000	2673	85.07	4,585,920.00	6.60
5001	10000	185	5.89	1,505,080.00	2.17
10001	20000	109	3.47	1,652,960.00	2.38
20001	30000	50	1.59	1,283,100.00	1.85
30001	40000	16	0.51	568,210.00	0.82
40001	50000	17	0.54	804,300.00	1.16
50001	100000	48	1.53	3,709,280.00	5.34
100001 and above		44	1.40	55,394,150.00	79.70
Total		3142	100.00	69,503,000.00	100.00

13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2010

Shares of Nominal Value (Rs.)	Shareholders	Total Amount (Rs.)
Promoters	4,366,696.00	62.827
Mutual Funds & UTI	2,050.00	0.029
Fins / Banks	50.00	0.001
FII(S)	0.00	0.000
Private Corporate Bodies	678,542.00	9.763
Indian Public	1,699,307.00	24.449
Non Residence Indians	193,026.00	2.777
Any other (Clearing Members)	10,679.00	0.154
Total	6,950,300.00	100.000

14. DEMATERIALISATION OF SHARES

95.85% of the total equity capital of the Company was held in dematerialised form. as on 31st March, 2010.

15. SHARE TRANSFER SYSTEM

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

16. ADDRESS FOR INVESTORS/ANALYST CORRESPONDENCE

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.,
17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort,
Mumbai - 400 001

Tel: 2270 24 85 / 2264 1376

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, 2010.

For SARLA PERFORMANCE FIBERS LIMITED

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: Mumbai.

Date : 17th May, 2010

CORPORATE GOVERNANCE REPORT

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, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate

Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Mumbai.

Date : 17th May, 2010

M. B. DESAI
Partner
Membership No. 33978

AUDITORS' REPORT

To,
The Members of
SARLA PERFORMANCE FIBERS LTD.
(Formerly known as Sarla Polyester Limited)



We have audited the attached Balance sheet of Sarla Performance Fibers Ltd. (Formerly known as Sarla Polyester Limited) as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

A. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

- B. In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- C. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- D. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- E. On the basis of written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- F. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with Significant Accounting Policies and subject to note no. 4 regarding non provision of interest receivable from wholly owned subsidiary company and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of Balance sheet of the state of affairs of the company as at 31st March, 2010;
 - ii. In the case of Profit and Loss account of the profit of the company for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Place: Mumbai.
Date : 17th May, 2010

M. B. DESAI
Partner
Membership No. 33978

ANNEXURE TO AUDITORS' REPORT

As required by the "Companies (Auditors - Report) order, 2003" issued by the Department of Company affairs in terms of section 227 (4A) of the Companies Act, 1956, we report as under: -

1. a) The company has maintained proper records showing full particulars including quantitative details and situations of fixed assets. The management during the year has physically verified the fixed assets. We are informed that the management on such verification has noticed no material discrepancies.
- b) As explained to us, the management during the year has physically verified all the assets. Having regard to the size of the operations and on the basis of explanations received, in our opinion, no serious discrepancies have been noticed.
- c) The company has not disposed of any substantial part of its fixed assets so as to affect its going concern.
2. a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to size of the company and the nature of its business.
- c) The company is maintaining proper records of the inventory. As explained to us, there is no material discrepancy noticed on physical verification of inventory as compared to book records.
3. a) During the year the company has granted interest free unsecured loan to one company covered in the register maintained u/s 301 of the Companies Act, 1956. The amount involved during the year was Rs. 149.85 Lakhs. The terms of repayment and interest are not stipulated hence we do not offer any comments on para 4(iii)(b) & (c) of the Companies (Auditor's Report) Order, 2003.
- b) The company has not taken any loan, secured or unsecured, from companies, firms and other parties covered in the register maintained u/s 301 of Companies Act, 1956 and hence para 4(iii)(e) & (f) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regards to purchase of inventory, fixed assets and with regards to the sale of goods. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in internal control system.
5. a) According to the information and explanation given to us, we are in opinion that the transactions made in pursuance of contracts or arrangements, that needed to be entered in the register maintained U/s 301 of the companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanation given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained U/s 301 of the companies Act, 1956 and are exceeding the value of rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from public.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of the business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of any cost records u/s 209 (1) (d) of the Companies Act, 1956 and we 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.
9. a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, Excise duty, service tax, cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, service tax, excise duty and cess were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
- c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, sales tax, custom duty, service tax, excise duty and cess which have not been deposited on account of any dispute except as

ANNEXURE TO AUDITORS' REPORT

stated below:

Nature of the Dues	Amount in Rupees	Period to Which Amount Relates	Forum Where the Dispute is pending
Excise Duty	1,80,979,476	F.Y. 1999-2000 to 2008-2009	CESTAT
Custom Duty	4,75,000	F.Y. 1999-2000, 2000-2001	CESTAT
Income Tax	22,76,906	A.Y. 2003-2004	Comm. Of Income Tax Appeals
Income Tax	9,93,080	A.Y. 2007-2008	Comm. Of Income Tax Appeals

10. The company has no accumulated losses and the company has not incurred any cash losses during the financial year covered under audit or in the immediately preceding financial year.
11. Based on our audit procedure and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
15. In our opinion, the company has not given guarantees for loans taken by others from banks or financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the funds raised on short-term basis have not been used for long-term investment.
18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to the information and explanations given to us, during the year covered by our audit report, the company has not issued any debentures.
20. According to the information and explanations given to us the company has not raised any money by public issue during the period covered by our audit report.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

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

Place: Mumbai.
Date : 17th May, 2010

M. B. DESAI
Partner
Membership No. 33978



BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
SOURCES OF FUNDS:-			
SHARE HOLDERS FUNDS			
Share Capital	1	695.03	695.03
Share Warrants	1A	—	182.40
Reserves & Surplus	2	6,888.38	5,866.84
DEFERRED TAX LIABILITY (NET)	3	653.27	583.07
LOAD FUNDS	4	3,502.71	3,896.80
TOTAL		11,739.39	11,224.13
APPLICATION OF FUNDS:-			
FIXED ASSETS:-			
Gross Block	5	8571.84	7256.42
Less: Depreciation		2675.02	2175.92
NET BLOCK		5,896.82	5,080.50
INVESTMENTS	6	271.68	362.24
CURRENT ASSETS, LOANS & ADVANCES:-			
CURRENT ASSETS			
Inventories	7	2,358.16	2,304.29
Sundry Debtors	8	3,456.96	3,617.35
Cash And Bank Balance	9	759.51	963.14
Loans And Advances	10	1,620.20	1,255.69
		8,194.83	8,140.46
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	2,327.10	2,064.36
Provisions	12	296.84	294.72
		2,623.94	2,359.08
NET CURRENT ASSETS		5,570.88	5,781.39
TOTAL		11,739.39	11,224.13
NOTES TO ACCOUNTS	20		

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

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MANISH AGARWAL
Company Secretary

TECH INNOVATIONS SOLUTIONS.

PROFIT AND LOSS ACCOUNT FOR THE YEAR END
31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
INCOME:-			
Sales & Incentives	13	13,576.82	12,582.54
Less: Excise Duty		415.14	418.79
Net Sales		13,161.68	12,163.75
Others Income	14	83.50	20.63
(Decrease)/Increase In Stock	15	(103.04)	292.06
		<u>13,142.14</u>	<u>12,476.43</u>
EXPENDITURE:-			
Raw Material Consumption		5,843.62	6,533.40
Purchase Of Trading Goods		1,008.90	145.15
Manufacturing Expenses	16	2,586.20	2,479.36
Employees Remuneration	17	248.46	213.12
Administrative & Other Expenses	18	1,109.35	1,093.37
Finance Charges	19	234.43	299.91
Depreciation & Amortisation		512.52	476.15
		<u>11,543.47</u>	<u>11,240.46</u>
PROFIT BEFORE TAXATION		1,598.67	1,235.97
Provision For Taxation			
- Current Tax		400.00	324.17
- Deferred Tax		70.20	60.76
- Fringe Benefit Tax		—	6.34
- Wealth Tax		0.04	0.06
PROFIT AFTER TAXATION		1,128.43	844.63
Prior Period Adjustment		—	(12.22)
BALANCE BROUGHT FORWARD		3,292.46	3,044.65
Short Provision Of Tax Of Earlier Years		(5.62)	—
BALANCE AVAILABLE FOR APPROPRIATION		<u>4,415.27</u>	<u>3,877.06</u>
APPROPRIATIONS			
Dividend		243.26	243.27
Tax On Dividend		40.40	41.34
Transfer To General Reserve		300.00	300.00
BALANCE TRANSFERRED TO THE BALANCE SHEET		3,831.60	3,292.46
TOTAL		<u>4,415.26</u>	<u>3,877.06</u>
EARNING PER SHARE BASIC	Rs.	16.24	12.33
EARNING PER SHARE DILUTED	Rs.	16.24	10.55
NO. OF SHARES USED IN COMPUTING EARNING PER SHARE	No.	69,50,300.00	69,50,300.00
NOTES TO ACCOUNTS	20		

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

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010
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FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MANISH AGARWAL
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED CAPITAL		
100,00,000 Equity Shares Of Rs. 10/- Each	1,000.00	1,000.00
ISSUED, SUBSCRIBED AND PAID UP		
69,50,300 (P. Y. 69,50,300) Equity Shares Of Rs. 10/- Each	695.03	695.03
	695.03	695.03
SCHEDULE 1 A : SHARE WARRANTS		
Nil (P. Y. 12,00,000) Warrants (Each Carries Option/Entitlements To Subscribe To One Equity Share Of Rs. 10/- Each At A Price Of Rs. 152/- Per Share Which Is To Be Subscribed On Or Before October 9, 2009)	—	182.40
	—	182.40
SCHEDULE 2 : RESERVES AND SURPLUS		
CAPITAL RESERVE (Refer Note 9 on Schedule 20)	182.40	—
GENERAL RESERVE		
Balance As Per Last Balance Sheet	2,574.38	2,274.38
Add : Transfer From Profit & Loss Account	300.00	300.00
	3,056.78	2,574.38
Profit And Loss Account	3,831.60	3,292.46
TOTAL	6,888.38	5,866.84
SCHEDULE 3 : DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability Arising On Account Of Depreciation	653.27	583.07
	653.27	583.07
SCHEDULE 4: LOAN FUNDS		
A) SECURED		
WORKING CAPITAL		
FROM ANDHRA BANK		
Packing Credit	383.51	158.18
Post Shipment Credit	116.68	172.60
Buyers Credit	163.61	92.44
FROM CITI BANK N.A.		
Packing Credit	797.96	1017.40
Foreign Documentary Bill Purchase	656.11	704.74
Buyers Credit	—	42.78

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
FROM CORPORATION BANK		
Foreign Documentary Bill Purchase	—	149.07
Buyers Credit - Against Machineries	293.97	351.16
FROM STANDARD CHARTERED BANK		
Packing Credit	204.88	371.44
Export Bill/ Post Shipment Credit	300.65	402.39
FROM DBS BANK		
Packing Credit	—	152.16
Buyers Credit	—	81.09
(packing Credit Is Secured Against Stock In Trade, Post Shipment And Foreign Documentary Bill Purchase are Secured against Foreign Documentary/ Demand Bills, Buyers Credit are Secured against Lc. out Of above, the Term Loan Facilities are Secured By First Charge On Fixed Assets of the Company and the Second Charge for Working Capital Facilities on Parri Passu basis with all the Consortium Banks. All the above facilities are further secured by Personal Guarantee Of Managing Director)		
TERM LOAN		
FROM ANDHRA BANK	145.33	—
(Exclusive Charge On The Machinery Financed And Personal Guarantee Of Managing Director)		
(Repayable Within 1 Year Rs. 69,99,996: P.Y. Nil)		
FROM YES BANK	440.00	—
(Exclusive Charge On The Wind Turbine Generator And Personal Guarantee Of Managing Director)		
(Repayable Within 1 Year Rs. 2,93,33,333: P.Y. Nil)		
	3,502.71	3,695.45
B)UNSECURED		
Term Loan From Icici Bank Ltd.	—	129.35
From Body Corporate	—	72.00
	—	201.35
TOTAL (A + B)	3,502.71	3,896.80

(Rs. in Lacs)

(Rs. in Lacs)

Particulars	Gross Block			Depreciation				Net Block		
	As on 01-04-2009	Addition during the year	Deduction during the year	As on 31-03-2010	Upto 01-04-2009	During the Period	Deduction	Upto 31-03-2010	As on 31-03-2010	As on 31-03-2009
Land	76.73	—	—	76.73	—	—	—	—	76.73	76.73
Building	1011.10	150.57	—	1161.66	146.78	35.83	—	182.61	979.06	864.32
Plants & Machinery	5648.14	525.43	33.64	6139.93	1836.85	432.26	9.75	2259.35	3880.58	3811.29
Electric Installation	317.84	14.37	—	332.22	100.42	24.14	—	124.56	207.66	217.42
Office Equipments	21.59	2.34	—	23.92	6.85	1.09	—	7.94	15.98	14.73
Computer	45.63	3.68	—	49.31	41.33	6.58	—	47.91	1.40	4.30
Other Fixed Assets	50.48	5.62	—	56.10	12.16	4.04	—	16.20	39.89	38.32
Motor Car	53.46	15.69	3.66	65.49	21.40	5.26	3.66	23.00	42.48	32.06
Furniture & Fixture	23.93	1.57	—	25.50	7.00	1.56	—	8.57	16.93	16.92
Wind Power	—	633.46	—	633.46	—	0.26	—	0.26	633.20	—
Total (A)	7248.90	1352.72	37.29	8564.32	2172.81	511.01	13.41	2670.41	5893.91	5076.09
Previous Year	6673.05	575.85	—	7248.90	1697.63	475.18	—	2172.81	5076.09	4975.42

Intangible assets

Manufacturing Assets		7.52	—	7.52	3.10	1.50	—	4.61	2.91	4.42
Software		7.52	—	7.52	3.10	1.50	—	4.61	2.91	4.42
Total (B)		7.52	—	7.52	3.10	1.50	—	4.61	2.91	4.42
Previous Year		3.59	3.93	7.52	2.13	9.71	—	3.11	4.42	1.46
GRAND TOTAL (A + B)(Rs.)		7256.42	1352.72	8571.84	2175.92	5125.17	13.41	2675.02	5896.82	5080.50
Previous Year		6676.64	579.78	7256.42	1699.77	4761.48	—	2175.92	5080.50	4976.88

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 6: INVESTMENTS		
LONG TERM INVESTMENTS UNQUOTED		
Savitex Honduras (2,700 Shares Of Lemps 1000 Each)	—	61.40
INVESTMENT IN SUBSIDIARY UNQUOTED		
Sarla Overseas Holdings Limited (4,35,000 Shares Of Usd 1.00 Each)	183.22	183.22
INVESTMENT IN IMMOVABLE PROPERTY		
Residential Flat In Pune	17.62	17.62
INVESTMENT IN MUTUAL FUNDS		
SBI Debt Fund Series 13 Months -8- Institutional Growth 10,00,000 Units Of SBI Debt Series Rs. 10/- Each Fully Paid Up	—	100.00
HDFC Cash Management Fund - Treasury Advantage Plan (Total Units 702330.340, NAV As On 31-03-2010 Is Rs. 10.0540)	70.84	—
TOTAL	271.68	362.24
SCHEDULE 7: INVENTORIES: (As Taken Valued And Certified By The Directors)		
Finished Goods	611.19	743.98
Raw Materials	1,236.41	1,099.04
Work In Process	377.03	347.29
Stores, Spares, Packing Material & Oil Etc.	133.53	113.98
TOTAL	2,358.16	2,304.29
SCHEDULE 8: SUNDRY DEBTORS UNSECURED, CONSIDERED GOOD		
Outstanding For A Period Over Six Months	316.70	456.72
Others	3,140.26	3,160.63
TOTAL	3,456.96	3,617.34
SCHEDULE 9: CASH AND BANK BALANCES		
CASH ON HAND	13.84	12.38
BALANCE WITH THE SCHEDULED BANKS		
In Fixed Deposit (margin Account)	587.84	562.82
In Foreign Currency Accounts	97.39	264.24
In Current Account	60.44	123.71
TOTAL	759.51	963.14

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 10: LOANS AND ADVANCES		
Amounts Receivable In Cash Or Kind Or Value		
To Be Received (Unsecured & Considered Good)	1,179.07	872.26
Loans And Advances - Considered Good	168.65	15.60
Deposits	109.10	101.81
Prepaid Expenses	9.52	25.03
Advance Payment Of Income Taxes And Fbt (Net Of Provision)	153.86	240.99
TOTAL	1,620.20	1,255.69
SCHEDULE 11: CURRENT LIABILITIES		
Sundry Creditors	1,559.31	1,185.64
Sundry Creditors - Capital Goods	316.36	313.63
Other Liabilities	163.79	222.26
(There Are No Amounts Due And Outstanding To Be Credited To Investor Education And Protection Fund)		
Advances From Customers	287.64	342.83
TOTAL	2,327.10	2,064.36
SCHEDULE 12: PROVISIONS		
Provision For Gratuity	7.11	6.21
Provision For Leave Encashment	1.15	3.91
Provision For Bonus	4.92	—
Provision For Final Dividend	243.26	243.26
Provision For Tax On Final Dividend	40.40	41.34
TOTAL	296.84	294.72
SCHEDULE 13: SALES, SERVICES AND INCENTIVES		
SALES - MANUFACTURING		
Direct Exports	7,086.40	7,261.86
Deemed Exports	6,006.32	4,768.97
Less: Interunit Sales	4,416.65	3,648.61
	1,590.07	1,120.37
LOCAL	3,821.67	4,044.83
Less: Excise Duty	415.15	418.79
	3,406.52	3,626.04
TRADING SALES	1,050.84	149.71
SALES TAX INCENTIVES	27.85	5.77
TOTAL	13,161.68	12,163.75

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 14: OTHER INCOME		
Exchange Rate Difference (Net)	32.04	—
Rent Received	28.80	22.80
Dividend	1.31	0.68
Capital Gain/(Loss) On Sale Of Investments	12.42	(4.22)
Miscellaneous Income	8.93	1.36
TOTAL	83.50	20.63
SCHEDULE 15: (DECREASE)/INCREASE IN STOCK		
OPENING STOCK		
Semi Finished Goods	347.29	351.73
Finished Goods	743.98	447.48
	1,091.26	799.21
CLOSING STOCK		
Semi Finished Goods	377.03	347.29
Finished Goods	611.19	743.98
	988.22	1,091.27
INCREASE IN STOCK	(103.04)	292.06
SCHEDULE 16: MANUFACTURING AND OPERATING EXPENSES		
Power & Fuel	919.72	855.44
Stores And Spares Consumed	195.57	187.66
Packing Materials Consumed	533.87	608.34
Oil & Chemicals Consumed	135.76	141.45
Labour Charges	462.92	419.91
Clearing & Forwarding Charges	205.42	188.45
Repairs & Maintenance - Plant & Machinery	66.25	18.93
Repairs & Maintenance - Building	27.32	4.53
(Decrease)/increase In Excise Duty On Stock Of Finished Goods	(12.30)	27.23
Water, Waste & Effluent Treatment Charges	51.67	27.42
TOTAL	2,586.20	2,479.36
SCHEDULE 17: EMPLOYEES REMUNERATION AND BENEFITS		
Salary, Wages, Bonus, Gratuity, Etc.	226.69	198.24
Staff Welfare Expenses	21.77	14.88
TOTAL	248.46	213.12

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 18: ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Legal And Professional Charges	31.46	22.24
Auditor's Remuneration	—	—
- Audit Fees 4.75		
- Taxation Matters 0.30		
- Other Capacity/certification Charges 0.65	5.70	7.07
Director's Remuneration	50.00	39.50
Postage, Telex, Fax And Telephone Charges	30.98	32.63
Insurance Charges	24.80	15.30
Office Expenses	12.58	10.52
Printing And Stationery	11.37	17.54
Traveling And Conveyance	67.25	39.83
Vehicle Expenses	60.94	44.91
Advertisement	3.14	2.98
Loss On Sale Of Fixed Assets	9.07	—
Security Charges	23.56	21.27
Miscellaneous Expenses	5.19	7.68
Fees, Rates And Taxes	32.89	11.01
Donation	11.60	1.20
Commission On Sales	162.61	88.87
Bad Debts	59.03	—
Sundry Balances W/O	11.91	—
Freight And Forwarding Charges	441.86	394.62
Exchange Rate Difference (Net)	—	298.79
Business Promotion Expenses	29.71	18.68
Repairs And Maintenance Others	23.70	18.73
TOTAL	1,109.35	1,093.37
SCHEDULE 19: FINANCE CHARGES		
INTEREST PAID (NET)		
On Term Loan	6.20	11.94
On Other Facilities	174.78	204.91
Bank Commission Charges	105.02	141.58
	286.00	358.44
Less : Interest Received (Gross, TDS Rs. 12,39,913 P.Y. Rs. 20,20,817)	51.57	58.53
TOTAL	234.43	299.91

SCHEDULE 20:

Notes forming part of the accounts for the year ended 31st March, 2010.

1. SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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 AND AMORTISATION: Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956 on pro rata basis. Fixed Assets are capitalised at cost inclusive of expenses and interest wherever applicable.

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

INVESTMENTS: Long-term investments are stated at cost. Provision for diminution in the value of long-term 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 materials 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.

PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS: A provision is recognised 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 recognise 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 effects on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

- A: Transactions entered into and concluded 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 31-03-2010 are calculated at the year end rate and market profit / loss is dealt in the Profit & Loss Account.

REVENUE RECOGNITION:

- A: Sales are recognised, net of returns and trade discounts, on despatch of goods to customers and are reflected in the accounts at gross realisable value i.e. inclusive of excise duty. Inter-unit sales/purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.
- B: In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectibility exists. Export benefits / incentives are accounted on accrual basic.
- C: Interest income is recognised on time proportionate method.
- D: Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

- A: Provision for current taxation and fringe benefits 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, 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 recognise and carry forward only to the extent that there is a virtual certainty that the assets will be realised in future.

EMPLOYEE RETIREMENT BENEFITS:

- A: Defined Contribution Plans: The Company has defined contribution plan for Post-employment benefits in the form of Provident fund for all eligible employees; which is administered by the Regional Provident Fund Commissioner. Provident Fund is classified as defined

contribution plan as the Company has no further obligation beyond making contribution. The Company's contribution to Defined Contribution Plan is charged to the Profit and Loss Account as and when incurred.

- B: Defined Benefits Plans: Funded Plan: The Company has defined benefit plan for Post Employment benefit in the form of Gratuity for certain employees which is administered through Life Insurance Corporation (LIC)

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

- C: Leave Liability (Long-term Employee Benefits): The Employee 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 recognised as an expenses as and when incurred.
- E: The actuarial gain and losses arising during the year are recognised in the profit and loss account of the year without restoring to any amortisation.

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

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

2. A: CONTINGENT LIABILITIES NOT PROVIDED FOR:

- A: Letter of credit: Letter of Credit issued by Banks on behalf of the Company Rs. 2,016.74 Lacs (P.Y. Rs. 2,519.16 Lacs) these are covered by the Charge created in favour of the Company's Bankers by way of Hypothecation of Stocks, Receivable & Machineries.
- B: Guarantees: Bank Guarantees issued by Banks on behalf

of the Company Rs. 345.79 Lacs (P. Y. Rs. 232.11 Lacs). These are secured by the charge created in favour of the Company's bankers by way of pledge of Fixed Deposit Receipts.

- C. The claim against Company not acknowledged as debt, comprises of excise duty & Customs duty disputed by company relating to issue of applicability and classification aggregating to Rs. 1,845.23 Lacs (P. Y. Rs. 1,769.90 Lacs).
- D. Bill discounted not matured Rs. 1,073.45 Lacs (P. Y. Rs. 1,256.28 Lacs). The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.
- E. CST liability in respect of invoice amount of Rs. 1,559.08 Lacs for which C-Form are yet to be collected from the customers.
- F. Liability of Income Tax with respect to which appeal is pending before CIT (Appeals) amounting to Rs. 22.77 Lacs for A.Y 2003-04 and Rs. 9.93 Lacs for A.Y. 2007-08
2. B: Estimated amount of contracts remained to be executed on capital account net of advance at the end of the year Rs. 47.17 Lacs (P. Y. Rs. 194.33 Lacs)
3. DEPRECIATION:
- A: The depreciation for the year has been provided on "straight line method" as per Section 205 (2) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto.
- B: Depreciation on additions/disposals of the fixed assets

5. i. QUANTITATIVE & OTHER INFORMATION REGARDING

Capacities		Current Year	Previous Year
a) Polyester, Polyamide (Nylon), Polypropylene, Acrylic and Viscose Filament Yarn, Texturised and/or Crimped and/or Twisted and/or Dyed, Medium/High Tenacity Nylon/Polyester Flat Yarns, Nylon/Polyester Monofilament Yarns.	LICENCED	11,999 M.T.	11,999 M.T.
b) Knitted Fabrics (Grey/Processed) made out of Synthetics Yarn/Man-made Fibre /Cotton Yarn and		480 M.T.	480 M.T.
c) Polyester/Nylon/Cotton Covered Spandex /Lycra Yarn.		927 M.T.	927 M.T.
	INSTALLED	11,900 M.T.	11,703.20 M.T.
d) Dyed Synthetics Yarn	LICENCED	2,400 M.T.	2,400 M.T.
	INSTALLED	2,400 M.T.	2,400 M.T.

Among their advantages, wind farms are scalable: when more electricity is needed for the market place, more windmills can be added. In fact, windmills can be built and installed within 2 months.

during the year is provided on pro rata basis according to the period during which assets are put to use.

- C: Intangible assets in represents the cost of computer software acquired for internal use, to be amortised equally over five years based upon their estimated useful lives.
4. A: The Company has invested USD 4,35,000 equivalent to Rs. 183.22 Lacs for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.
- B: The Company has an investment of Rs. 61.40 lacs (equivalent to USD 135,000) in 2,700 shares of M/s. Savitex SA De C.V., Honduras, which the company has sold during the year.
- C: No provision is made for the interest of Rs. 8.99 Lacs for Unsecured Loan given to Sarla Overseas Holdings Limited, a wholly owned subsidiary of the Company. Hence profit of the current year is understated to this extent.
- D. Sarla Overseas Holdings Limited, a wholly owned subsidiary of the Company has further acquired 2,700 shares of Savitex SA De C.V. during the year, due to which the its shareholding in Savitex SA De C.V. has increased to 16,000 Shares out of total capital of 40,000 shares of the said Savitex SA De C.V.

ii. PRODUCT MANUFACTURED AND DEALT IN BY THE COMPANY:

Polyester, Polyamide (Nylon), Texturised, Twisted, Dyed, Medium/High Tenacity Nylon/Flat Yarns, Nylon/Monofilament Yarns, Polyester/Nylon, Spandex/Lycra Yarn & Dyed Synthetics Yarn.	Current Year	Previous Year
Actual Production * #	6,033.259 M.T.	6,814.399 M.T.
* Net of inter unit transfer 3,354.312 M.T(P.Y. 2,827.601 M.T.)		

iii. STOCK & TURNOVER (MANUFACTURED)

	Current Year		Previous Year	
	Quantity (in M.T.)	Amount (in Lacs)	Quantity (in M.T.)	Amount (in Lacs)
Opening Stock Sales	448.283	743.98	276.002	447.480
Sales				
a) Export	3,389.069	7,086.39	3,691.070	7,261.860
b) Deemed Export	501.307	1,590.07	329.501	1,120.366
c) Local # *	2,260.903	3,406.52	2,621.597	3,626.039
	6,151.279	12,082.98	6,642.168	12,008.27
Closing Stocks	342.191	611.19	448.283	743.98
# Includes waste Production/Sales				
168.402 M.T. (P.Y. 187.362 M.T.)				
* Includes Raw-Material Sale of 11.928 M.T.				

iv. TRADING GOODS

Current Year	Current Year				Previous Year			
	Item	Unit	Quantity	Amount (in Lacs)	Item	Unit	Quantity	Amount (in Lacs)
I) Purchase	PP Granules	M.T.	2,066.910	1,008.90	Polypropylene	M.T.	331.000	142.55
					Grey Sleeve	Pcs.	103,000.000	2.60
				1,008.90	Yarn			145.15
ii) Sales	PP Granules	M.T.	2,066.910	1,050.84	Polypropylene	M.T.	331.000	146.36
					Grey Sleeve	Pcs.	103,000.000	3.35
				1,050.84	Yarn			149.71

6. RAW MATERIAL CONSUMED

	Current Year		Previous Year	
	Quantity (in M.T.)	Amount (in Lacs)	Quantity (in M.T.)	Amount (in Lacs)
Polyester Partially Oriented Yarn (POY) Nylon/Polyester Filament/ Textured/Twisted/ Nylon/Chips/ Spandex Rubber/Lycra.	5,963.321	5,519.92	7,004.289	6,229.14
Dyes & Chemical Consumed		323.70		304.26
	5,963.321	5,843.62	7,004.289	6,633.40
of the above	% of Consumption		% of Consumption	
	Amount	%	Amount	%
Imported	5,217.60	89.29%	5,456.02	83.51%
Indigenous	626.02	10.71%	1,077.38	16.49%
	5,843.62	100.00%	6,533.40	100.00%

7. STORES & SPARES CONSUMED OF THE ABOVE

of the above	% of Consumption		% of Consumption	
	Amount	%	Amount	%
Imported	34.33	17.55%	11.05	5.89%
Indigenous	161.24	82.45%	176.61	94.11%
	195.57	100.00%	187.66	100.00%

8. C.I.F. VALUE OF IMPORTS

	Current Year Amount (in Lacs)	Previous Year Amount (in Lacs)
Capital Goods	189.38	121.84
Raw Materials	5,167.92	5,555.49
Trading Goods	1,008.90	145.15
Stores, Packing Material & Consumables	39.54	83.05

9. EXPENDITURE IN FOREIGN CURRENCY

Travelling	52.20	29.82
Commission on Exports	79.79	82.50

10. FOREIGN EXCHANGE EARNINGS (F.O.B.)

Export (FOB Value)	6,802.49	6,980.04
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11. Managing Director's remuneration is Rs. 30.00 Lacs (P.Y Rs. 22.50 lacs) & the whole time Director's remuneration is Rs. 20.00 Lacs (P.Y. Rs. 17.00 lacs) is in accordance with Section 198 Schedule XIII of the Companies Act, 1956.

12. The Excise and Custom Authority has passed certain adjudication orders in earlier years against the company relating to classification of excisable goods, determination of rate of duty and non compliance of parameters decided for 100% EOU. Due to these orders the demand of excise and Custom has been raised to the extent of Rs. 543.07 Lacs (P.Y. Rs. 816.45 Lacs). The Company has appealed against the said orders and based on the various decisions of the appellate authorities and the interpretations of order and relevant provisions, the Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.

13. There are no outstanding Forward Contracts as on 31st March 2010.

14. TAXATION:

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

B: In accordance with AS-22 issued by the Institute of chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax liability on account of timing difference for current year is Rs. 70.20 Lacs (P.Y. Rs. 60.76 Lacs) is charged to profit and loss account.

15. RELATED PARTY TRANSACTIONS:

The Company has transactions with following related parties:

- 1) Associate Cos.
 - a) M/s. Satidham Industries Pvt. Ltd.
 - b) M/s. Sarla Estate Developers Pvt. Ltd.
 - c) M/s. Hindustan Cotton Co.
 - d) M/s. Hindustan Synthetics
 - e) M/s. Shivchandrai Jhunjunwala & Co.
 - f) Technofil Honduras, SA De C.V.
- 2) Key Management Personnel
 - a) Madhusudan Jhunjunwala - Chairman
 - b) Krishna Jhunjunwala - Managing Director
- 3) Joint Ventures
 - a) M/s. Savitex SA De C. V., Honduras
- 4) Subsidiary Company
 - a) M/s. Sarla Overseas Holding Ltd.
 - b) M/s. Sarla Europe, Lda

Before the widespread use of underground coal reserves began in the early 17th century, there were hundreds of thousands of windmills in Europe and as many as 500,000 in China.

Details of transactions with above related parties

(Rs. in Lacs)

	Associates Enterprises		Key Management Personnel		Joint Ventures		Subsidiary Co.	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Rent paid	5.00	5.00	—	—	—	—	—	—
Unsecured Loan given	—	—	—	—	—	—	149.85	—
Unsecured Loan Received Back	—	—	—	—	—	130.66	—	—
Investment in Share	—	—	—	—	—	61.40	—	—
Investment in Subsidiary	—	—	—	—	—	—	183.22	183.22
Unsecured Loan Taken	—	—	—	—	—	—	—	—
Unsecured Loan Repaid	—	—	—	—	—	—	—	—
Managerial Remuneration	—	—	50.00	39.50	—	—	—	—
Advance Received	—	—	—	—	—	—	—	—
Security Deposit	—	—	—	—	—	—	—	—
Sale of Goods	32.48	23.03	—	—	—	—	398.03	61.32
Debtors	—	23.03	—	—	—	—	312.80	61.32

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

5) Loans & Advances in the nature of Loans given to Subsidiaries and Associates etc.: (Rs. in Lacs)

As at 31st March, 2010 As at 31st March, 2009 Max Balance during th year

a) Loans & Advances in the nature of Loans				
Sarla Overseas Holdings Limited, BVI	Subsidiary	149.85	—	149.85

16. SEGMENT REPORTING:

company's business activity now falls under two business segments.

a) Primary Segment (by 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 have similar risk and returns and during the year, the Company has diversified its activities into Wind Power Generation, hence the

b) Secondary Segment (By Geographical demarcation)

1) The secondary segment is based on geographical demarcation i.e. in India and out side India.

c) Information about primary and secondary segment

(Rs. in Lacs)

Particulars	Current Year			Previous Year		
	In India	Outside India	Total	In India	Outside India	Total
Segment Revenue (Gross)						
Yarn:						
Manufacturing:	4,996.26	7,086.39	12,082.65	4,752.18	7,261.86	12,014.04
Trading:*	1,050.84	—	1,050.84	149.71	—	149.71
Wind Power	0.33	—	0.33	—	—	—
	6,047.43	7,086.39	13,133.82	4,901.89	7,261.86	12,163.75
Segment Assets						
Yarn	13,639.80	—	13,639.80	13,583.00	—	13,583.00
Wind Power	723.53	—	723.53	—	—	—
Segment Liabilities						
Yarn	6,252.29	—	6,252.29	6,839.00	—	6,839.00
Wind Power	527.63	—	527.63	—	—	—
Capital Expenditure						
Yarn	719.26	—	719.26	579.77	—	579.77
Wind Power	633.46	—	633.46	—	—	—

* Trading Sales is High Seas Sales

17. DISCLOSURE IN ACCORDANCE WITH REVISED AS - 15 ON "EMPLOYEE BENEFITS"

A) Defined Contribution Plans:

The Company has recognised the following amounts in the profit and loss account for the year

For the year ended March 31, 2009

Contribution to Employees' Provident Fund

1,097,358

B) Defined Benefit Plans:

		Current Year		Previous Year	
		Gratuity	Leave Encasement	Gratuity	Leave Encasement
i)	Changes in the present value of Obligations				
	Present value of Defined Benefit Obligation on 01-04-2009	2,913,466	390,806	2,439,470	136,596
	Interest Cost	233,077	31,264	195,158	10,928
	Current Service Cost	366,587	(509,026)	240,341	—
	Benefit Paid during the year	(46,038)	(128,380)	(19,385)	(57,465)
	Actuarial (Gain)/Loss on Defined Benefit Obligation	948,306	330,644	27,882	300,747
	Present value of Defined Benefit Obligation as on 31-03-2010	4,415,398	115,308	2,913,466	390,806
ii)	Changes in the Fair Value of Plan Assets				
	Fair Value of Plans Assets as on 01-04-2009	2,292,617		1,196,485	
	Excess Provision	—		733,318	
	Expected Return on Plan Assets for the year ending 31-03-2010	285,190		188,441	
	Contribution made by the employer	1,172,880		193,758	
	Benefit paid during the year	(46,038)		(19,385)	
	Actuarial gain (Loss) on plan assets	—		—	
	Fair Value of Plans Assets as on 31-03-2010	3,704,649	—	2,292,617	—
iii)	Amount to be recognised in the Balance Sheet as on 31-03-2010				
	Present Value of the Defined Gratuity Benefits Obligation 31-03-2010	4,415,398	115,308	2,913,466	390,806
	Fair Value of Plans Assets as on 31-03-2010	3,704,649	—	2,292,617	—
	Liability Recognised in the Balance Sheet as on 31-03-2009	710,749	115,308	620,849	390,806
iv)	Expenses recognised in the Statement of Profit and Loss Account				
	Current Service Cost	366,587	(509,026)	270,341	—
	Interest Cost on Obligation	233,077	31,264	195,158	10,928
	Expected Return on Plan Assets	(285,190)	—	(188,441)	—
	Actuarial (Gain)/Loss on Defined Benefit Obligation	948,306	330,644	27,882	300,747
	Expenses Recognised in the Statement of Profit and Loss Account	1,262,780	(147,118)	304,940	311,675
v)	Actual Return on Plan Assets				
	Expected Return on Plan Assets	285,190	—	188,441	—
	Actuarial gain (Loss) on Plan Assets	—	—	—	—
	Actual Return on Plan Assets	285,190	—	188,441	—

18. 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.

Resolution passed at Extra-Ordinary General Meeting of the Company held on 26th March, 2008, the Company had allotted 12,00,000 warrants on 10th April 2008, with an option to subscribe to share capital of the Company, the options lapsed on 9th October, 2009. No Subscriber of the warrant exercised the option of conversions of warrants into Shares, upto 9th October, 2009, when

19. Pursuant to the approval of members by way of Special

option lapsed, hence the money received on application amounting to Rs. 182.40 Lacs is forefieted and transferred to Capital Reserve.

20. During the year, the Company has delivered its activities into Wind Power Generation and in this regard the Company has passed the Special Resolution in Extra Ordinary General Meeting held on 06th March, 2010 for modification in the object clause of Memorandum of Association. The Company has invested Rs. 633.46 Lacs for installation of Wind Turbine Generator at Baradia site,

Dist. Jamnagar in Gujarat and Wind Power Plant was successfully commissioned on 30-03-2010.

21. Previous years figures have been regrouped/rearranged wherever necessary.
22. The balance sheet abstract & company's general business profile as required by part IV of Schedule VI to the Companies Act, 1956 are given in the annexure.

SIGNATURES TO SCHEDULES 1 TO 20

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

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

FOR AND ON BEHALF OF BOARD OF DIRECTORS
SARLA PERFORMANCE FIBERS LIMITED

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MANISH AGARWAL
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	1,598.67	1,235.97
ADJUSTMENT FOR		
Depreciation	512.52	476.15
Interest Paid	286.00	358.44
Interest Received	(51.57)	(58.53)
Capital Gain on Sale of Investment	(12.42)	4.22
Dividend Received	(1.31) 733.21	(0.68) 779.60
Operating Profit Before Working Capital Changes	2,331.88	2,015.56
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade and Other Receivable	160.38	(177.24)
Inventories	(53.88)	(134.47)
Loans & Advances	(371.12)	(38.88)
Trade and Other Payable	265.80 1.19	8.64 (341.95)
Cash Generated from Operations	2,333.07	1,673.62
Prior Period Expenses	—	(12.22)
Income Tax Paid	(412.46)	(345.21)
FBT Paid	— (412.46)	(4.45) (361.88)
Net Cash Flow from Operating Activities (1)	1,920.61	1,311.75
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,315.42)	(410.97)
Purchase of Investment	(70.84)	(200.00)
Dividend Received	1.31	0.68
Gain on Sale of Investment	12.42	—
Sale of Investment	161.40	101.84
Interest Received	51.57 (1,159.56)	58.53 (449.92)
Net Cash Flow from Investing Activities (2)	(1,159.56)	(449.92)
CASH FLOW FROM FINANCING ACTIVITIES		
Preferential Warrants Issued	—	182.40
Net Fund Raised/(Repayment)	(394.09)	(356.78)
Dividend Paid & Dividend Tax Paid	(243.26)	(243.26)
Dividend Tax Paid	(41.34)	(41.34)
Interest Paid	(286.00) (964.69)	(358.44) (817.42)
Net Cash Raised from Financing Activities (3)	(964.69)	(817.42)
Net Changes in Cash and Cash Equivalent (1 + 2 + 3)	(203.64)	44.41
Cash and Cash Equivalent - Opening Balance	963.15	918.74
Cash and Cash Equivalent - Closing Balance	759.51	963.14

Notes :

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

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MANISH AGARWAL
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS			
Registration No.	L31909DN1993PTC000056	State Code	54
Balance Sheet Date:	31-03-2010		
2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Share Warrants	NIL		
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)			
Total Liabilities	1,173,938.90	Total Assets	1,173,938.90
Sources of Funds			
Paid up Capital	69,503.00	Share Warrants	—
Reserves and Surplus	688,838.17	Deferred Tax Liability (Net)	65,326.80
Secured Loans	350,270.93	Unsecured Loans	—
Application of Funds			
Net Fixed Assets		Investments	27,168.22
(Including intangible assets)	589,682.11	Miscellaneous Expenditure	—
Net Current Assets	557,088.56		
Accumulated Losses	—		
4. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)			
Total Income	1,314,214.40	Total Expenditure	1,154,347.38
Profit Before Tax	159,867.02	Profit After Tax	112,842.83
Profit After Tax & Prior Period Item	112,280.97	Earning Per Share - Basic (Rs.)	16.24
Earning Per Share-Diluted (Rs.)	16.24	Dividend Rate (%)	35.00%
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY			
Item Code No.	54023300		54024200
Product Description	:POLYESTER/ NYLON/ SPANDEX/ LYCRA - TEXTURISED, TWISTED & DYED YARNS, HIGH/ MEDIUM TENACITY NYLON YARNS, MONOFILAMENT YARNS, COVERED YARN.		

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

M. B. DESAI
Partner
Membership No. 33978

Place : Mumbai
Date : 17th May, 2010

FOR AND ON BEHALF OF BOARD OF DIRECTORS
SARLA PERFORMANCE FIBERS LIMITED

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MANISH AGARWAL
Company Secretary



DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting the Third Annual Report on the business and operations of the Company together with statement of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

During the first year of its operations the Company has earned a profit of Rs. 319.55 Lacs.

DIVIDEND

The Company has not recommended any dividend in the year.

AUDIT

The Company has incorporated under the BVI Business Companies Act, 2004, British Virgin Islands and the law has not stipulated any provision of the statutory audit like the Indian Companies Act, 1956. The Company has prepared its accounts as per the Indian GAAP and the account has been audited by an Indian Auditor.

INVESTMENT

During the year the Company has invested in 2700 shares of M/s Savitex, SA De CV, Honduras, a Joint Venture Company to the extent of 6.75%. The Company's holding in M/s Savitex, SA De CV has got increased to 40%.

During the year, the Company has also invested in Sarla Europe, LDA to the extent of 3000 Euros comprising 60% of the share capital of that company and by virtue of this it has become the subsidiary of the company.

DIRECTOR

Mr. Krishnakumar M. Jhunjhunwala is the only Director in the Company.

FIXED DEPOSITS

The Company has not accepted any deposit during the year.

ACKNOWLEDGMENT

The Directors place on record, their appreciation for the advice, guidance and support given by M/s Sarla Performance Fibers Limited, India. The Directors' also place on record their sincere thanks to the Company's Banker and Member for their patronage.

For and On Behalf of Board of Directors

Krishnakumar M. Jhunjhunwala
Director



AUDITORS' REPORT

To,
The Members of
SARLA OVERSEAS HOLDINGS LIMITED

We have audited the attached Balance sheet of Sarla Overseas Holdings Limited as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We also report that:

A. We have obtained all the information and explanations, which to the best of our knowledge and belief were

necessary for the purpose of our audit.

- B. In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- C. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- D. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- E. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of Balance sheet of the state of affairs of the company as at 31st March, 2010 and
 - ii) In the case of Profit and Loss account of the profit of the company for the year ended on that date.
 - iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Place: Mumbai.
Date : 17th May, 2010

M. B. DESAI
Partner
Membership No. 33978



BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
SOURCES OF FUNDS:			
SHARE CAPITAL			
ISSUED, SUBSCRIBED AND PAID UP			
435,000 Shares of USD 1 each		196.36	221.63
RESERVES & SURPLUS			
PROFIT & LOSS ACCOUNT:			
OPENING		59.59	28.43
ADDITION DURING THE YEAR		319.55	379.14
FOREIGN CURRENCY RESERVE ACCOUNT		(11.82)	7.24
			66.84
LOAD FUNDS		133.61	—
TOTAL		697.29	288.47
APPLICATION OF FUNDS:			
FIXED ASSETS			
GROSS BLOCK		—	—
LESS: DEPRECIATION		—	—
NET BLOCK		—	—
INVESTMENTS	1	383.15	370.69
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS:			
INVENTORIES		57.86	62.78
SUNDRY DEBTORS	2	350.68	—
CASH AND BANK BALANCE	3	127.84	9.23
LOANS AND ADVANCES		167.65	43.31
TOTAL		704.03	115.32
LESS: CURRENT LIABILITIES		389.89	197.54
NET CURRENT ASSETS		314.14	(82.22)
MISCELLANEOUS EXPENDITURE		—	—
(To the extend not written off or adjusted)			
TOTAL		697.29	288.47
NOTES TO ACCOUNTS	5		

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

For SARLA OVERSEAS HOLDINGS LIMITED

Krishnakumar M. Jhunjunwala
Director

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR END 31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
INCOME:			
Sales Income		1,045.96	155.79
Others Income		—	—
Increase / (Decrease) In Stock		(4.92)	62.78
		<u>1,041.04</u>	<u>218.57</u>
EXPENSES:			
Cost And Direct Expenses		663.85	146.62
Selling, General & Administration Expenses		51.50	13.46
Finance Expenses		1.08	0.15
Depreciation		—	—
Share of Loss In Associate Company		5.06	27.17
		<u>721.49</u>	<u>187.40</u>
PROFIT FOR THE YEAR		319.55	31.16
Add: Brought Forward From Last Year		59.59	28.42
Balance Transferred To Balance Sheet		<u>379.14</u>	<u>59.59</u>
Average Number To Outstanding Shares		435,000	435,000
Basic & Diluted Earning Per Share		73.46	7.16
NOTES TO ACCOUNTS	5		

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

For SARLA OVERSEAS HOLDINGS LIMITED

Krishnakumar M. Jhunjunwala
 Director

M. B. DESAI
 Partner
 Membership No. 33978
 Place : Mumbai
 Date : 17th May, 2010



**SCHEDULES ANNEXED TO AND FORMING PART OF
BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 1: INVESTMENTS		
INVESTMENT		
16000 (P.Y.13,300) SHARES OF SAVITEX SA DE C.V., HONDURAS	379.58	359.65
750 SHARES OF TECHNOFIL, HONDURAS, SA DE C.V.	33.86	38.21
LESS: DIMINUTION IN VALUE OF INVESTMENTS	32.23	27.17
3 SHARES OF SARLA EUROPE OF 1000 EURO EACH	1.63	11.04
	1.94	—
TOTAL	383.15	370.69
SCHEDULE 2: SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
MORE THAN SIX MONTHS	—	—
OTHERS	350.68	—
TOTAL	350.68	—
SCHEDULE 3: CASH AND BANK BALANCES		
CASH ON HAND	—	—
CASH AT BANK:		
CITI BANK	127.84	9.23
TOTAL	127.84	9.23
SCHEDULE 4: SELLING, GENERAL AND ADMINISTRATIVE		
EXPENSES		
CONSULTING CHARGES	—	11.15
COMMISSION ON EXPORTS	9.54	0.74
LEGAL & PROFESSIONAL FEES	2.45	1.57
PRELIMINARY EXPENSES W/O	1.03	—
AUDIT FEES	1.35	—
CLEARING CHARGES - EXPORTS	37.13	—
	51.50	13.46

SCHEDULE 5:

Notes forming part of the accounts for the year ended 31st March, 2010.

1. SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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 AND AMORTISATION: Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956 on pro rata basis. Fixed Assets are capitalised at cost inclusive of expenses and interest wherever applicable.

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

INVESTMENTS: Long-term investments are stated at cost. Provision for diminution in the value of long-term 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 materials 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.

PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS: A provision is recognised 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 recognise 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 effects on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

- A: Transactions entered into and concluded 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 31-03-2010 are calculated at the year end rate and market profit / loss is dealt in the Profit & Loss Account.

REVENUE RECOGNITION:

- A: Sales are recognised, net of returns and trade discounts, on despatch of goods to customers and are reflected in the

accounts at gross realisable value i.e. inclusive of excise duty. Inter-unit sales/purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.

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

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.

Deferred Tax as there is no Income Tax applicable in the country.

2. RELATED PARTY TRANSACTIONS:

The Company has transactions with following related parties:

- i) Joint Ventures
M/s. Savitex SA De C. V., Honduras
- ii) Key Management Personnel
Krishna Jhunjhunwala - Managing Director
- iii) Holding Company
M/s. Sarla Performance Fibers Limited
- iv) Subsidiary
Sarla Europe, Lda
- v) Associate Concern
Technofil Honduras, SA De C.V.

TAXATION: No provision has been made for Current Tax and

Details of transactions with above related parties

(Rs. in Lacs)

	Holding Company		Associates Enterprises		Joint Ventures		Subsidiary Co.	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Advance Paid	—	—	—	—	—	—	7.42	—
Unsecured Loan given	—	—	63.20	43.30	—	—	32.88	—
Investment in Share	—	—	33.86	38.21	379.58	359.65	1.94	—
Unsecured Loan Taken	133.61	—	—	—	—	—	—	—
Advance Received	—	—	—	—	45.02	—	—	—
Sale of Goods	—	—	—	—	226.20	114.06	—	—
Purchase of Goods	282.54	61.32	—	—	—	—	—	—
Debtors	—	—	—	—	—	—	—	—
Creditors	175.19	61.32	—	—	—	—	—	—

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

3. a) The Company has an investment of USD 840,888 (Equivalent to Rs. 379.58 Lacs) for 16,000 Shares in Savitex SA De C.V. Out of which, during the year the company has made an investment of USD 135,000 (Equivalent to Rs. 60.94 Lacs) to purchase additional 2700 Shares in the joint venture company i.e. Savitex SA De C.V. After the additional investment the company has 40% shareholding of Joint Venture comprising of 16,000 shares out of the total capital of 40,000 shares of Savitex SA De C.V.

b) The Company had an investment of USD 75,000 (Equivalent to Rs. 33.86 Lacs) for 750 Shares of Technofil Honduras. It consists of 25% of the Share Capital

of Technofil Honduras having a total share capital of 3000 shares.

c) During the year, The Company has made an investment of EURO 3000 (Equivalent to Rs. 1.94 Lacs) towards 3 Shares of Sarla Europe, Lda out of total 5 shares of the said company (i.e. 60% of the Share Capital of Sarla Europe, Lda).

4. Previous years figures have been regrouped/rearranged wherever necessary.

SIGNATURES TO SCHEDULES 1 TO 5

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

For SARLA OVERSEAS HOLDINGS LIMITED

Krishnakumar M. Jhunjhunwala
Director

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lacs)

	Current Year 31-03-2010		Previous Year 31-03-2009	
CASH FLOW FROM THE OPERATING ACTIVITIES				
Net Profit Before Tax and Extraordinary items	319.55		31.17	
ADJUSTMENT FOR				
Interest Paid	1.09		0.15	
Operating Profit Before Working Capital Changes	320.63		31.32	
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL				
Trade and Other Receivable	(350.68)			
Inventories	4.92		(62.78)	
Loans & Advances	(124.35)		(13.22)	
Trade and Other Payable	192.35	(277.76)	84.85	8.85
Net Cash Flow from Operating Activities (1)	42.88		40.17	
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	—		—	
Purchase of Investment	(12.45)		(87.49)	
Sale of Investment	—		—	
Interest Received	—	(12.45)	—	(87.49)
Net Cash Flow from Investing Activities (2)	(12.45)		(87.49)	
CASH FLOW FROM FINANCING ACTIVITIES				
(Reduction)/Increase in Capital due to Foreign Exch.	(25.27)		47.12	
Net Fund Raised/(Repayment)	133.61		—	
Foreign Exchange Rate Fluctuation	(21.24)		7.24	
Dividend Tax Paid	—		1.35	
Interest Paid	1.09	88.19	(0.15)	55.56
Net Cash Raised from Financing Activities (3)	88.19		55.56	
Net Changes in Cash and Cash Equivalent (1+2+3)	118.61		8.24	
Cash and Cash Equivalent - Opening Balance	9.23		0.99	
Cash and Cash Equivalent - Closing Balance	127.84		9.23	

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

M. B. DESAI
Partner
Membership No. 33978

Place : Mumbai
Date : 17th May, 2010

For SARLA OVERSEAS HOLDINGS LIMITED

Krishnakumar M. Jhunjunwala
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL
BUSINESS PROFILE

1. REGISTRATION DETAILS			
Registration No.		State Code	
Balance Sheet Date:	31-03-2010		
2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Share Warrants	NIL		
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)			
Total Liabilities	69,728.68	Total Assets	69,728.68
Sources of Funds			
Paid up Capital	19,635.90	Share Warrants	—
Reserves and Surplus	36,731.34	Deferred Tax Liability (Net)	—
Secured Loans	—	Unsecured Loans	13,361.44
Application of Funds			
Net Fixed Assets		Investments	38,314.55
(Including intangible assets)	—	Miscellaneous Expenditure	—
Net Current Assets	31,414.12		
Accumulated Losses	—		
4. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)			
Total Income	104,104.16	Total Expenditure	72,149.28
Profit Before Tax	31,954.89	Profit After Tax	31,954.89
Profit After Tax & Prior Period Item	31,954.89	Earning Per Share - Basic (Rs.)	73.46
Earning Per Share-Diluted (Rs.)	73.46	Dividend Rate (%)	0.00%
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY			
Item Code No.			
Product Description	:	TRADING IN YARN AND TEXTILE MACHINERY	

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

FOR SARLA OVERSEAS HOLDINGS LIMITED

M. B. DESAI
Partner
Membership No. 33978

Krishnakumar M. Jhunjhunwala
Director

Place : Mumbai
Date : 17th May, 2010

AUDITOR'S REPORT

Management letter to SARLA EUROPE, LDA. for the year ended at the 31st March, 2010

We have audited the Accounts of SARLA EUROPE, LDA. referred to the the 31st March, 2010, which includes the Balance Sheet (which shows a total of 233.410,68 s and a negative equity in the amount of 59.298,75 s which includes a negative liquid profit in the amount of 64.298,75 s), the Profit and Loss Account and the Appendix, concerning the financial year ended at that date.

The Management is responsible for drawing up the Financial Statements that truly and fairly reflects the financial situation and the results of company's operations as well as for the adoption of suitable accounting criteria and policies and for maintaining an adequate system of internal control. Our responsibility is to express a professional and independent opinion. Accordingly to these

Standards, the auditing must be planned and done so that a reasonable degree of certainty as to whether or not the Financial Statements contains materially distortions. An auditor considers, based on tests, the analysis of the evidence that support values and data referred on Financial Statements. Similarly, it considers the judgement on the accounting principles adopted by the company, as well as of the relevant estimates and the lay out the Financials Statements. We are convinced that the developed audit is sufficient to enable us to express our opinion.

The Financial Statements truly and fairly presents the financial situation of the SARLA EUROPE, LDA., in all materially relevant aspects, as at 31st March, 2010 and the results of its operations during the financial year then ended, in accordance with the generally accepted accounting principles.

Maia, 26th April, 2010

Pedro Alexandre Duarte - Official Auditor no. 1.360

BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Euros)

	Current Year 31-03-2010	Previous Year 31-03-2009
ASSETS: Non - Current Assets		
Tangible Fixed Assets	25,254.29	
Investment Properties		
Goodwill		
Intangible Fixed Assets		
Biological Assets		
Investments - equity method		
Investments - other methods		
Shareholders		
Other financial assets		
Deferred tax assets		
	25,254.29	
ASSETS: Current Assets		
Inventory	101,800.08	
Biological Assets		
Customers	96,953.64	
Advances to supplies		
State and other public bodies	5,225.95	
Shareholders		
Other debts		
Deferrals		
Financial assets held for trading		
Other financial assets		
Non-current assets held for sale		
Cash and equivalents	4,176.72	
	208,156.39	
TOTAL ASSETS	233,410.68	
EQUITY AND LIABILITIES: Equity		
Capital	5,000.00	
Own shares		
Other Equity instruments		
Share premiums		
Legal reserves		
Other reserves		
Retained earnings		
Financial assets adjustments		
Revaluation surplus		
Other charges in Equity		
	5,000.00	
Net profit for the year	(64,298.75)	
Minority Interests		
TOTAL EQUITY	(59,298.75)	
EQUITY AND LIABILITIES: Liabilities		
Non-current Liabilities		
Provisions		
Financings		
Liabilities for post-employment benefits		
Deferred tax liabilities		
Other debts		
EQUITY AND LIABILITIES: Current Liabilities		
Suppliers	197,149.62	
Customer advances		
State and other public bodies		
Shareholders		
Financings	61,925.14	
Other debts	33,634.67	
Financial liabilities held for trading		
Other financial debts		
Deferreds		
Non-current liabilities held for sales		
	292,709.43	
TOTAL LIABILITIES	292,709.43	
TOTAL EQUITY & LIABILITIES	233,410.68	

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010

(Amount in Euros)

INCOME AND EXPENSES	Notes	Current Year 31-03-2010	Previous Year 31-03-2009
Sales and services		87,662.72	
Operating subsidies			
Gains / losses charged to subsidiaries associates and joint ventures			
Changes in inventories of production			
Capitalisation of own costs			
Sold goods and raw materials costs		(86,202.68)	
Supplies and services		(63,668.43)	
Staff costs			
Impairment of inventories (losses/reversals)			
Impairment of receivables (losses/reversals)			
Provisions (increases/reductions)			
Impairment of non-deprecable amortizable (losses/reversals)			
Increases/decreases in fair value			
Other income and gains		389.26	
Other expenses and losses		(33.88)	
Profit before depreciation, financing costs and taxes		(61,893.01)	
Expenses/reversals of depreciation and amortization		(2,405.11)	
Impairment of assets depreciable/amortizable (losses/reversals)			
Operating profit (before financing costs and taxes)		(64,298.12)	
Interest income obtained			
Interest and similar expenses incurred		(0.63)	
Profit before tax		(64,298.75)	
Income tax for the period			
Net profit for the year		(64,298.75)	

Board of Directors
 SARLA EUROPE Lda
 Date: 26th April, 2010

Chartered Accountant
 Pedro Alexandre Duarte
 Official Auditor no. 1.360





CONSOLIDATED AUDITORS' REPORT

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

- 1) We have audited the attached consolidated Balance Sheet of M/s. Sarla Performance Fibers Limited, Mumbai along-with its subsidiary and joint venture (the Sarla Group) as at 31st March, 2010 and also related Consolidated Profit and Loss Account and the Cash Flow Statement for the year ended on that date.
- 2) These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 3) We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test

basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 4) In respect of the financial statements of subsidiary companies, associate and joint venture, we have carried out audit of financial statements of wholly owned subsidiary company whereas financial statements of joint venture, associate and other subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount included in respect of the subsidiaries, associate and joint ventures is based solely on the reports of the other auditors.

The details of assets and revenues in respect of the subsidiary and joint venture to the extent to which they are reflected in their respective financial statements are given below: (Rs. in Lacs)

Name of Companies	Total Assets	Total Revenues
Wholly owned subsidiary: M/s. SARLA OVERSEAS HOLDING Ltd.	697.29	1,045.97
subsidiary: M/s. SARLA EUROPE, Lda	13.18	35.18
Joint Venture: M/s. SAVITEX SA De C.V., Honduras	1,378.91	1,298.40

- 5) We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interest in Joint Ventures' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Sarla Group included in the consolidated financial statements.
- 6) We report that on the basis of the information and according to the explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of the Sarla Group, we are of the opinion that the attached Consolidated Financial Statement, read together with

significant accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Sarla Group as at 31st March 2010.
- (b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Sarla Group for the year then ended; and
- (c) In the case of Consolidated Cash flow statements of the consolidated cash flows of the Sarla Group for the year then ended on that date.

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

Place : Mumbai
Date : 17th May, 2010

M. B. DESAI
Partner
Membership No. 33978

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
SOURCES OF FUNDS:-			
SHARE HOLDERS FUNDS			
Share Capital	1	695.03	695.03
Share Warrants	1A	—	182.40
Reserves & Surplus	2	8,222.32	6,751.78
DEFERRED TAX LIABILITY (NET)	3	653.27	583.07
LOAD FUNDS	4	3,693.40	3,896.80
TOTAL		13,264.02	12,109.08
APPLICATION OF FUNDS:-			
FIXED ASSETS:-			
Gross Block	5	9,083.33	7,684.88
Less: Depreciation		2,845.60	2,318.56
NET BLOCK		6,237.73	5,366.31
INVESTMENTS	6	90.09	128.66
CURRENT ASSETS, LOANS & ADVANCES:-			
CURRENT ASSETS			
Inventories	7	2,973.00	2,919.48
Sundry Debtors	8	4,318.80	3,756.98
Cash And Bank Balance	9	956.41	1,120.12
Loans And Advances	10	1,812.26	1,352.42
		10,060.47	9,149.01
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	2,827.42	2,240.19
Provisions	12	296.84	294.72
		3,124.26	2,534.91
NET CURRENT ASSETS		6,936.20	6,614.10
TOTAL		13,264.02	12,109.08
NOTES TO ACCOUNTS	20		

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

M. B. DESAI
 Partner
 Membership No. 33978
 Place : Mumbai
 Date : 17th May, 2010

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
 Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
 Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR END
31ST MARCH, 2010

(Rs. in Lacs)

	Schedule	Current Year 31-03-2010	Previous Year 31-03-2009
INCOME:-			
Sales & Incentives	13	15,947.37	13,977.58
Less: Excise Duty		415.15	418.79
Net Sales		15,532.22	13,558.80
Others Income	14	85.91	24.77
(Decrease)/Increase In Stock	15	(16.45)	417.72
		15,601.68	14,001.28
EXPENDITURE:-			
Raw Material Consumption		6,528.06	7,035.40
Purchase Of Trading Goods		1,672.75	291.77
Manufacturing Expenses	16	2,884.01	2,761.83
Employees Remuneration	17	271.49	235.25
Administrative & Other Expenses	18	1,288.02	1,187.49
Finance Charges	19	238.96	301.21
Depreciation & Amortisation		556.51	524.98
		13,439.80	12,337.92
PROFIT BEFORE TAXATION		2,161.88	1,663.36
Provision For Taxation			
- Current Tax		400.00	324.17
- Deferred Tax		70.20	60.76
- Fringe Benefit Tax		—	6.34
- Wealth Tax		0.04	0.06
PROFIT AFTER TAXATION		1,691.64	1,272.02
Prior Period Adjustment		—	(12.22)
Share Of Loss In Associate Concern		(5.06)	27.17
Balance Brought Forward		4,082.19	3,434.16
Short Provision Of Tax Of Earlier Years		(5.62)	—
Profit Distribution/Not Accumalating		(23.46)	—
BALANCE AVAILABLE FOR APPROPRIATION		5,739.69	4,666.79
APPROPRIATIONS			
Dividend		243.26	243.26
Tax On Dividend		40.40	41.34
Transfer To General Reserve		300.00	300.00
BALANCE TRANSFERRED TO THE BALANCE SHEET		5,156.03	4,082.19
TOTAL		5,739.69	4,666.79
EARNING PER SHARE BASIC	Rs.	24.34	18.30
EARNING PER SHARE DILUTED	Rs.	24.34	18.13
NO. OF SHARES USED IN COMPUTING EARNING PER SHARE	No.	6,950,300	6,950,300
NOTES TO ACCOUNTS	20		

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED CAPITAL		
100,00,000 Equity Shares Of Rs. 10/- Each	1,000.00	1,000.00
ISSUED, SUBSCRIBED AND PAID UP		
69,50,300 (P. Y. 69,50,300) Equity Shares Of Rs. 10/- Each	695.03	695.03
	695.03	695.03
SCHEDULE 1 A : SHARE WARRANTS		
Nil (P. Y. 12,00,000) Warrants (Each Carries Option/Entitlements To Subscribe To One Equity Share Of Rs. 10/- Each At A Price Of Rs. 152/- Per Share Which Is To Be Subscribed On Or Before October 9, 2009)	—	182.40
	—	182.40
SCHEDULE 2 : RESERVES AND SURPLUS		
CAPITAL RESERVE (Refer Note 9 on Schedule 20)	182.40	—
GENERAL RESERVE		
Balance As Per Last Balance Sheet	2574.38	2,274.38
Add : Transfer From Profit & Loss Account	300.00	300.00
	3056.78	2,574.38
Profit And Loss Account	5156.03	4082.19
Foreign Currency Reserve Account	9.51	95.21
TOTAL	8222.32	6751.78
SCHEDULE 3 : DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability Arising On Account Of Depreciation	653.27	583.07
	653.27	583.07
SCHEDULE 4: LOAN FUNDS		
A) SECURED		
WORKING CAPITAL		
FROM ANDHRA BANK		
Packing Credit	383.51	158.18
Post Shipment Credit	116.68	172.60
Buyers Credit	163.61	92.44
FROM CITI BANK N.A.		
Packing Credit	797.96	1,017.40
Foreign Documentary Bill Purchase	656.11	704.74
Buyers Credit	—	42.78

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
FROM CORPORATION BANK		
Foreign Documentary Bill Purchase	—	149.07
Buyers Credit - Against Machineries	293.97	351.16
FROM STANDARD CHARTERED BANK		
Packing Credit	204.88	371.44
Export Bill/ Post Shipment Credit	300.65	402.39
FROM DBS BANK		
Packing Credit	—	152.16
Buyers Credit	—	81.09
(Packing Credit Is Secured Against Stock In Trade, Post Shipment And Foreign Documentary Bill Purchase Are Secured Against Foreign Documentary/ Demand Bills, Buyers Credit Are Secured Against Lc. Out Of Above, The Term Loan Facilities Are Secured By First Charge On Fixed Assets Of The Company And The Second Charge For Working Capital Facilities On Parri Passu Basis With All The Consortium Banks. All The Above Facilities Are Further Secured By Personal Guarantee Of Managing Director)		
TERM LOAN	145.33	—
FROM ANDHRA BANK		
(Exclusive Charge On The Machinery Financed And Personal Guarantee Of Managing Director)		
(Repayable Within 1 Year Rs. 69,99,996: P.Y. Nil)		
FROM YES BANK	440.00	—
(Exclusive Charge On The Wind Turbine Generator And Personal Guarantee Of Managing Director)		
(Repayable Within 1 Year Rs. 2,93,33,333: P.Y. Nil)		
	3,502.71	3,695.45
B) UNSECURED		
Term Loan From ICICI Bank Ltd.	—	129.35
From Body Corporate	190.70	72.00
	190.70	201.35
TOTAL (A + B)	3693.40	3,896.80

SCHEDULES ANNEXURE TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010, AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DAY

SCHEDULE "5": FIXED ASSETS

(Rs. in Lacs)

Particulars	Gross Block				Depreciation				Net Block			
	As on 01-04-2009	Variation in Opening Due to Foreign Exchange	Addition during the year	Deduction during the year	As on 31-03-2010	Upto 01-04-2009	Variation in Opening Due to Foreign Exchange	During the Period	Deduction	Upto 31-03-2010	As on 31-03-2010	As on 31-03-2009
Land	91.18	-1.65	0.00	7.93	81.60	0.00	0.00	0.00	0.00	0.00	81.60	91.18
Building	1,011.10	0.00	150.57	0.00	1,161.67	146.78	0.00	36.24	0.00	183.02	978.65	864.32
Plants & Machinery	5,990.56	-39.04	654.25	33.64	6,572.14	1,956.94	-13.69	468.28	9.75	2,401.78	4,170.36	4,033.62
Electric Installation	317.84	-1.49	14.88	0.00	331.23	100.42	-0.69	25.31	0.00	125.04	206.19	217.42
Office Equipments	21.59	0.00	2.34	0.00	23.93	6.86	0.00	1.09	0.00	7.95	15.98	14.73
Computer	45.63	0.00	3.68	0.00	49.31	41.33	0.00	6.58	0.00	47.91	1.40	4.30
Other Fixed Assets	69.00	-0.22	15.67	0.00	84.45	18.20	0.00	4.92	0.00	23.12	61.33	50.80
Motor Car	63.60	-1.16	15.69	3.66	74.47	23.18	-0.21	7.65	3.46	27.16	47.31	40.42
Furniture & Fixture	66.85	-4.89	5.17	0.00	67.13	21.75	-1.68	5.36	0.00	25.43	41.70	45.11
Wind Power	—	—	633.48	—	633.48	—	—	0.26	—	0.26	633.22	0.00
Total (A)	7,677.35	-48.45	1,495.71	45.22	9,079.39	2,315.46	-16.27	555.68	13.21	2,841.67	6,237.73	5,361.90
Previous Year	6,988.25	85.09	604.02	0.00	7,677.36	1,771.51	19.94	524.00	0.00	2,315.46	5,361.90	5,216.74

Intangible assets

Software	7.52	-0.41	0.00	3.17	3.94	3.11	0.00	0.83	0.00	3.93	0	4.42
Total (B)	7.52	-0.41	0.00	3.17	3.94	3.11	0.00	0.83	0.00	3.93	0	4.42
Previous Year	3.59	0.00	0.37	0.00	3.96	2.13	—	0.00	0.00	3.11	1.46	1.74
GRAND TOTAL (A+B)	7,684.88	-48.86	1,495.71	48.39	9,083.33	2,318.56	-16.27	556.51	13.21	2,845.60	6,237.73	5,366.32
Previous Year	6,991.84	85.09	607.95	0.00	7,684.87	1,773.64	19.94	524.98	0.00	2,318.56	5,366.32	5,218.20



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 6 : INVESTMENTS		
LONG TERM INVESTMENTS UNQUOTED		
TECHNOFIL HONDURAS		
(750 Shares Of 100 USD)	33.86	38.22
Less : Diminution In Value Of Investments	(32.23)	(27.17)
INVESTMENT IN IMMOVABLE PROPERTY	17.62	17.62
Residential Flat In Pune		
INVESTMENT IN MUTUAL FUNDS		
SBI Debt Fund Series 13 Months -8- Institutional Growth	—	100.00
10,00,000 Units Of SBI Debt Series Rs. 10/- Each Fully Paid Up		
HDFC Cash Management Fund - Treasury Advantage Plan	70.84	—
(Total Units 702330.340, NAV As On 31-03-2010 Is Rs. 10.0540)		
TOTAL	90.09	128.66
SCHEDULE 7 : INVENTORIES:		
(as Taken Valued And Certified By The Directors)		
Finished Goods	883.46	93.23
Raw Materials	1,435.46	1,396.89
Work In Process	434.09	401.74
Stores, Spares, Packing Material & Oil Etc.	219.99	188.59
TOTAL	2,973.00	2,919.48
SCHEDULE 8: SUNDRY DEBTORS		
UNSECURED, CONSIDERED GOOD		
Outstanding For A Period Over Six Months	316.70	456.72
Others	4,002.10	3,300.26
TOTAL	4318.80	3,756.98
SCHEDULE 9: CASH AND BANK BALANCES		
CASH ON HAND	13.85	12.49
BALANCE WITH THE SCHEDULED BANKS		
In Fixed Deposit (Margin Account)	587.84	562.81
In Foreign Currency Accounts	294.29	264.24
In Current Account	60.43	280.58
TOTAL	956.41	1,120.12

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 10: LOANS AND ADVANCES		
Amounts Receivable In Cash Or Kind Or Value		
To Be Received (Unsecured & Considered Good)	1,371.12	925.69
Loans And Advances - Considered Good	168.65	58.91
Deposits	109.10	101.81
Prepaid Expenses	9.52	25.03
Advance Payment Of Taxes (Net Of Provision)	153.87	240.99
TOTAL	1,812.26	1,352.42
SCHEDULE 11: CURRENT LIABILITIES		
Sundry Creditors	2,059.64	1,310.65
Sundry Creditors - Capital Goods	316.36	313.63
Other Liabilities	163.79	273.08
(Unpaid Dividend Amount Is Transferred To Investor Education And Protection Fund, When Due)		
Advances From Customers	287.64	342.83
TOTAL	2,827.42	2,240.19
SCHEDULE 12: PROVISIONS		
Provision For Gratuity	7.11	6.21
Provision For Leave Encasement	1.15	3.91
Provision For Bonus	4.92	—
Provision For Final Dividend	243.26	243.26
Provision For Tax On Final Dividend	40.40	41.34
TOTAL	296.84	294.72
SCHEDULE 13: SALES, SERVICES AND INCENTIVES		
SALES - MANUFACTURING		
Direct Exports	8,410.97	8,501.11
Deemed Exports	6,006.32	4,768.97
Less: Interunit Sales	4,416.24	3,648.61
	1,590.07	1,120.37
LOCAL	3,821.67	4,044.83
Less: Excise Duty	415.15	418.79
	3,406.52	3,626.04
TRADING SALES	2,096.80	305.50
SALES TAX INCENTIVES	27.86	5.77
TOTAL	15,532.22	13,558.80

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 14: OTHER INCOME		
Exchange Rate Difference (Net)	32.04	—
Rent Received	28.80	22.80
Dividend	1.31	0.68
Capital Gain/(Loss) On Sale Of Investments	12.42	(4.22)
Miscellaneous Income	11.34	5.50
TOTAL	85.91	24.77
SCHEDULE 15: (DECREASE)/INCREASE IN STOCK		
OPENING STOCK		
Semi Finished Goods	472.79	450.15
Finished Goods	861.21	466.13
	1,334.00	916.28
CLOSING STOCK		
Semi Finished Goods	434.10	472.79
Finished Goods	883.45	861.21
	1,317.55	1,334.00
INCREASE IN STOCK	(16.45)	417.72
SCHEDULE 16: MANUFACTURING AND OPERATING EXPENSES		
Power & Fuel	919.72	855.44
Stores And Spares Consumed	195.58	187.66
Packing Materials Consumed	533.87	608.34
Oil & Chemicals Consumed	135.76	141.45
Labour Charges	462.92	419.91
Clearing & Forwarding Charges	205.42	188.45
Repairs & Maintenance - Plant & Machinery	66.25	18.93
Repairs & Maintenance - Building	27.32	4.53
(Decrease)/increase In Excise Duty On Stock Of Finished Goods	(12.31)	27.23
Water, Waste & Effluent Treatment Charges	51.67	27.42
Direct/Other Manufacturing Expenses	297.81	282.46
TOTAL	2,884.01	2,761.83
SCHEDULE 17: EMPLOYEES REMUNERATION AND BENEFITS		
Salary, Wages, Bonus, Gratuity, Etc.	249.71	218.67
Staff Welfare Expenses	21.78	16.58
TOTAL	271.49	235.25

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
SCHEDULE 18: ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Legal And Professional Charges	56.18	55.72
Auditor's Remuneration	8.70	7.52
Director's Remuneration	50.00	39.50
Postage, Telex, Fax And Telephone Charges	32.17	33.75
Insurance Charges	32.91	17.69
Office Expenses	33.72	22.45
Printing And Stationery	11.37	17.89
Traveling And Conveyance	79.75	53.51
Vehicle Expenses	62.31	47.32
Advertisement	5.21	3.78
Loss On Sale Of Fixed Assets	9.07	—
Security Charges	23.56	21.77
Miscellaneous Expenses	29.82	18.40
Fees, Rates And Taxes	43.37	18.25
Donation	11.61	1.29
Commission On Sales	178.51	89.28
Bad Debts	59.03	—
Sundry Balances W/O	11.91	—
Freight And Forwarding Charges	495.41	401.24
Exchange Rate Difference (net)	—	300.58
Business Promotion Expenses	29.71	18.68
Repairs And Maintenance Others	23.70	18.87
TOTAL	1,288.02	1,187.49
SCHEDULE 19: FINANCE CHARGES		
INTEREST PAID (NET)		
On Term Loan	6.20	11.94
On Other Facilities	174.77	207.91
Bank Commission Charges	109.56	142.89
	290.53	359.74
Less : Interest Received	51.57	58.53
TOTAL	238.96	301.21



SCHEDULE 20:

Notes forming part of the accounts for the year ended 31st March, 2010.

1) SIGNIFICANT ACCOUNTING POLICIES:

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

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

PRINCIPLES OF CONSOLIDATION: The Consolidated Financial Statements relate to Sarla Performance Fibers Limited, its Subsidiary Company, Joint Venture Company and Associate Company. The Consolidated Financial Statements have been prepared on the following basis:

- a) The financial statements of the company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.
- b) In the Consolidated Financial Statements, the company has report its interest in the joint venture company, using proportionate consolidated method, whereby the company's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is added to the respective line items, after eliminating proportionate unrealised profits or losses attributable to the interest of the company.
- c) Investment in associate is accounted for using the equity method whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Consolidated Statement of Profit & Loss reflects the investor's share of the results of operations of the

Wind energy is experiencing rapid growth and now totals more than 120,00 megawatts worldwide. In 2008 the United States added 8,500 megawatts of wind power, a 50% increase in single year.

investee.

- d) Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so.
- e) The Consolidated Financial Statements of M/s. Sarla Overseas Holdings Ltd., a wholly owned subsidiary Company incorporated in Hongkong, B.V.I. is considered in the consolidated financial statement of parent company which includes a share of 40.00% of Joint Venture M/s. Savitex SA De C.V., Honduras and 60% of Sarla Europe, LDA, Portugal.

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 incudes 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.

IMPAIRMENT OF ASSETS: Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

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

Intangible Assets are amortized over their respective individual

estimated useful life on a straight line basis commencing from the year the asset is available to the Company for its use not exceeding five years.

In Joint Venture M/s. Savitex SA De C.V., Honduras, depreciation is provided on straight line method based on the estimate useful life as per the management, which is as below:

ASSETS	YEARS
Buildings	40
Machinery and Equipment	10-15
Vehicles	5
Furniture and Equipment	15-10

INVESTMENTS: Long term investments are stated at cost. Provision for diminution in the value of long term investment is made only if, such a decline is other than temporary in the opinion of management. Current Investments are carried at Cost or Market Price, whichever is lower.

INVENTORIES:

- Raw Materials and General Stores are valued at cost or realisable value, whichever is less, excluding Cenvat and VAT credit, by FIFO method.
- Work in Process is valued at raw materials cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.
- 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.

PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS: A provision is recognised 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 recognise 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 effects on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

- Transactions entered into and concluded during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

- 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.
- The exchange difference on account of restatement of the subsidiary and Joint Venture's assets and liabilities has been shown as Foreign Currency transaction reserve account in the Consolidated Balance Sheet as on year end.

REVENUE RECOGNITION:

- Sales are recognized, net of returns and trade discounts, on despatch of goods to customers and are reflected in the accounts at gross realisable value i.e. inclusive of excise duty. Inter-unit sales/purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.
- In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectibility exists and Export benefits/incentives are accounted on accrual basic.
- Interest income is recognised on time proportionate method.
- Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

- 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.
- 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 substantially enacted at the Balance Sheet, 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 recognise and carry forward only to the extent that there is a virtual certainty that the assets will be realised in future.

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

use. All other borrowing cost are charged to revenue.

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

2. A: CONTINGENT LIABILITIES NOT PROVIDED FOR:

- A. Letter of Credit: Letter of Credit issued by Banks on behalf of the Company Rs. 2,016.74 Lacs (Previous Year Rs. 2,519.16 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.
 - B. Guarantees: Bank Guarantees issued by Banks on behalf of the Company Rs. 345.79 Lacs (Previous Year Rs. 232.11 Lacs). These are secured by the charge created in favour of the Company's bankers by way of pledge of Fixed Deposit Receipts.
 - C. The claim against Company not acknowledged as debt, comprises of Excise duty & Customs duty disputed by company relating to issue of applicability and classification aggregating to Rs. 1,845.23 Lacs. (Previous Year Rs. 1,769.60 Lacs).
 - D. Bill discounted not matured Rs. 1,073.45 Lacs (Previous Year Rs. 1,256.28 Lacs) .The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.
 - E. CST liability in respect of invoice amount of Rs. 1,559.08 Lacs for which C-Form are yet to be collected from the costumers.
 - F. Liability of Income tax with respect to which appeal is pending before CIT (Appeals) amounting to Rs. 22.77 Lacs for A.Y 2003-04 and Rs. 9.93 Lacs for A.Y. 2007-08
2. B: Estimated amount of contracts remained to be executed on capital account net of advance at the end of the year Rs. 47.17 Lacs (Previous Year Rs. 194.33 Lacs).
3. A: The Company has invested USD 4,35,000 equivalent to Rs. 183.22 Lacs for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.
- B: The Company has an investment of Rs. 61.40 lacs (equivalent to USD 135,000) in 2,700 shares of M/s. Savitex SA De C.V., Honduras, which the company has sold during the year.

C: No provision is made for the interest of Rs. 8.99 Lacs for Unsecured Loan given to Sarla Overseas Holdings Limited, a wholly owned subsidiary of the Company. Neither the company nor the said subsidiary has provided the interest.

D. Sarla Overseas Holdings Limited, a wholly owned subsidiary of the Company has further acquired 2,700 shares of Savitex SA De C.V. during the year, due to which the its shareholding in Savitex SA De C.V. has increased to 16,000 Shares out of total capital of 400,000 shares of the said Savitex SA De C.V.

4. Managing Director's remuneration is Rs. 30.00 Lacs (Previous Year Rs. 22.50 Lacs) & the whole time Director's remuneration is Rs. 20.00 Lacs (Previous Year Rs. 17.00 Lacs) is in accordance with Section 198 Schedule XIII of the Companies Act, 1956.

5. The Excise and Customs Authority has passed certain adjudication orders in earlier years against the Company relating to classification of excisable goods, determination of rate of duty and non compliance of parameters decided for 100% EOU. Due to these orders the demand of excise and Customs has been raised to the extent of Rs. 543.07 Lacs (Previous Year Rs. 816.45 Lacs). The Company has appealed against the said orders and based on the various decisions of the appellate authorities and the interpretations of order and relevant provisions, the Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.

6. There are no outstanding forward contracts as on 31st March 2010.

7. RELATED PARTY TRANSACTIONS:

The Company has transactions with following related parties:

- 1) Associate Cos.
 - a) M/s. Satidham Industries Pvt. Ltd.
 - b) M/s. Sarla Estate Developers Pvt. Ltd.
 - c) M/s. Hindustan Cotton Co.
 - d) M/s. Hindustan Synthetics
 - e) M/s. Shivchandrai Jhunjunwala & Co.
 - f) Technofil Honduras, SA De C.V.
- 2) Key Management Personnel
 - a) Madhusudan Jhunjunwala - Chairman
 - b) Krishna Jhunjunwala - Managing Director
 - c) Ron Dallah
- 3) Joint Ventures
 - a) M/s. Savitex SA De C. V., Honduros

4) Subsidiary Company

- a) M/s. Sarla Overseas Holding Ltd.
 b) M/s. Sarla Europe, Lda

Details of transactions with above related parties

(Rs. in Lacs)

	Associates Enterprises		Key Management Personnel		Joint Ventures		Subsidiary Co.	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Rent paid	5.00	5.00	—	—	—	—	—	—
Unsecured Loan given	—	—	—	—	—	—	149.85	—
Unsecured Loan Received Back	—	—	—	—	—	130.66	—	—
Investment in Share	—	38.21	—	—	—	61.40	—	—
Investment in Subsidiary	—	—	—	—	—	—	183.22	183.22
Unsecured Loan Taken	—	—	—	—	—	—	—	—
Unsecured Loan Paid	—	—	—	—	—	—	—	—
Managerial Remuneration	—	—	50.00	39.50	—	—	—	—
Advance Received	—	—	—	—	—	—	—	—
Security Deposit	—	—	—	—	—	—	—	—
Sale of Goods	32.48	23.03	—	—	—	—	398.03	61.32
Debtors	—	23.03	—	—	—	—	312.80	61.32

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

8. TAXATION:

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

B: In accordance with AS-22 issued by the Institute of Chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax liability on account of timing difference for current year is Rs. 70.20 Lacs (P.Y. Rs. 60.76 Lacs) is charged to profit and loss account. Deferred Tax Asset/ Liability has not been created for Foreign, Subsidiary & Joint Venture.

9. Pursuant to the approval of members by way of Special Resolution passed at Extra-Ordinary General Meeting of the Company held on 26th March, 2008, the Company had allotted 12,00,000 warrants on 10th April, 2008, with an option to subscribe to share capital of the Company, the options lapsed on 9th October, 2009. No subscriber of the warrant exercised the option of conservation of warrants into Shares, uptill 9th October, 2009, when option lapsed, hence the money received on application

amounting to Rs. 182.40 Lacs is forefieted and transferred to Capital Reserve.

10. During the year, the Company has delivered its activities into Wind Power Generation and in this regard the Company has passed the Special Resolution in Extra Ordinary General Meeting held on 06th March, 2010 for modification in the object clause of Memorandum of Association. The Company has invested Rs. 633.46 Lacs for installation of Wind Turbine Generator at Baradia site, Dist. Jamnagar in Gujarat and Wind Power Plant was successfully commissioned on 30-03-2010.

11. The balance sheet abstract & company's general balance sheet profile as required by part IV of Schedule VI to the Companies Act, 1956 are given in to the Company's act, 1956 are given in the annexure.

12. Previous years figures have been regrouped/rearranged wherever necessary.

SIGNATURES TO SCHEDULES 1 TO 20

For SUNDARLAL, DESAI & KANODIA
 Chartered Accountants

M. B. DESAI
 Partner
 Membership No. 33978
 Place : Mumbai
 Date : 17th May, 2010

For ON BEHALF OF BOARD OF DIRECTORS
 SARLA PERFORMANCE FIBERS LIMITED

MADHUSUDAN S. JHUNJHUNWALA
 Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
 Managing Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST MARCH, 2010

(Rs. in Lacs)

	Current Year 31-03-2010	Previous Year 31-03-2009
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	2,161.88	1,663.36
ADJUSTMENT FOR		
Depreciation	556.51	524.98
Interest Paid	290.53	359.74
Interest Received	(51.57)	(58.53)
Capital Gain on Sale of Investment	(12.42)	4.22
Dividend Received	(1.31) 781.75	(0.68) 829.73
Operating Profit Before Working Capital Changes	2,943.63	2,493.08
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade and Other Receivable	(561.82)	(193.64)
Inventories	(53.53)	(515.25)
Loans & Advances	(472.29)	(93.58)
Trade and Other Payable	590.30 (497.34)	91.34 (711.14)
Cash Generated from Operations	2,446.29	1,781.95
Prior Period Expenses	—	(12.22)
Transition Provision of AS-15"Employee Benefits)	—	—
Income Tax Paid	(412.46)	(345.21)
FBT Paid	— (412.46)	(4.45) (361.88)
Net Cash Flow from Operating Activities (1)	2,033.83	1,420.07
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,398.45)	(524.23)
Purchase of Investment	(70.84)	(238.21)
Increase in Share Capital of Subsidiary	—	—
Dividend Received	1.31	0.68
Sale of Investment	100.00	101.84
Capital Gain on Sale of Investment	12.42	—
Foreign Exchange Reserve	(85.71)	95.21
Interest Received	51.57 (1,389.70)	58.53 (506.18)
Net Cash Flow from Investing Activities (2)	(1389.70)	(506.18)
Net Cash Flow on Consolidation	(29.33)	79.90
CASH FLOW FROM FINANCING ACTIVITIES		
Preferential Warrants Issued	—	182.40
Net Fund Raised/(Repayment)	(203.39)	(356.78)
Dividend Paid & Dividend Tax Paid	(243.26)	(243.26)
Dividend Tax Paid	(41.34)	(41.34)
Interest Paid	(290.53) (778.53)	(358.44) (818.72)
Net Cash Raised from Financing Activities (3)	(778.53)	(818.72)
Net Changes in Cash and Cash Equivalent (1+2+3)	(163.72)	175.07
Cash and Cash Equivalent - Opening Balance	1,120.12	945.04
Cash and Cash Equivalent - Closing Balance	956.41	1,120.12

Notes :

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

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

M. B. DESAI
Partner
Membership No. 33978
Place : Mumbai
Date : 17th May, 2010

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

CONSOLIDATED BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS			
Registration No.	L31909DN1993PTC000056	State Code	54
Balance Sheet Date:	31-03-2010		
2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Share Warrants	NIL		
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)			
Total Liabilities	1,326,402.33	Total Assets	1,326,402.33
Sources of Funds			
Paid up Capital	69,503.00	Share Warrants	—
Reserves and Surplus	822,231.73	Deferred Tax Liability (Net)	65,326.80
Secured Loans	350,270.93	Unsecured Loans	19,069.86
Application of Funds			
Net Fixed Assets (Including intangible assets)	623,772.69	Investments	9,008.99
Net Current Assets	693,620.64	Miscellaneous Expenditure	—
Accumulated Losses	—		
4. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)			
Total Income	1,560,167.77	Total Expenditure	1,343,979.71
Profit Before Tax	216,188.06	Profit After Tax	169,163.88
Profit After Tax & Prior Period Item	168,096.39	Earning Per Share - Basic (Rs.)	24.34
Earning Per Share-Diluted (Rs.)	24.34	Dividend Rate (%)	35.00%
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY			
Item Code No.	54023300		54024200
Product Description	:POLYESTER/ NYLON/ SPANDEX/ LYCRA - TEXTURISED, TWISTED & DYED YARNS, HIGH/ MEDIUM TENACITY NYLON YARNS, MONOFILAMENT YARNS, COVERED YARN.		

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

M. B. DESAI
Partner
Membership No. 33978

Place : Mumbai
Date : 17th May, 2010

For SARLA PERFORMANCE FIBERS LIMITED

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole time Director

Krishnakumar M. Jhunjhunwala
Managing Director



NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of SARLA PERFORMANCE FIBERS LIMITED will be held on Saturday, the 25th September, 2010 at the Registered office of the Company at survey No.59/1/4, Amla Piparia Industrial Estate, Silvassa – 396 230, U.T. of Dadra & Nagar Haveli, at 11.30 A.M. to transact the following business :

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Arun Vaid, who retires by rotation and being eligible offers himself

for re-appointment.

4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. 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 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the appointment of Mr. Madhusudan S. Jhunjhunwala, as Whole-time Director of the Company for a period of 5 years with effect from 1st August, 2010 to 31st July, 2015 on the terms and conditions as set out in the Explanatory Statement Annexed to the Notice of the Meeting.

For and on behalf of the Board

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole-time Director

Place : Mumbai

Date : 12th August, 2010

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Company has fixed Closure of Register of Members and Share Transfer Books from Saturday, the 18th September 2010 to Saturday, the 25th September, 2010 (both days inclusive) for determining the names of members eligible for dividend, if approved, on Equity Shares for the year ended 31st March 2010. The dividend if declared at the Annual General Meeting will be paid on

or before 25th October, 2010, in respect of Shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid Share Transfers lodged with the Company on or before the end of business hours on 18th September 2010 and in respect of shares held in the Electronic Form to those “deemed members “ whose names appear in the statement of beneficial ownership furnished by the NSDL & CDSL as at the end of the business hours on 18th September 2010.

4. An explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No. 5 annexed hereto.
5. Details of Director seeking reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement):-

Name of Director	Mr. Arun S. Vaid
Date of Birth	05.11.1944
Date of Appointment	01.11.2000
Expertise in specific functional areas	Rich Experience in trading of Machineries
Qualifications	B. Com.
List of Public Companies in which outside Directorships held as on 31st March, 2010	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31st March, 2010	Nil
No. of Equity Shares held in the Company as on 31st March, 2010.	Nil

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item No. 5.

Mr. Madhusudan S. Jhunjunwala has been appointed as Whole-time Director of the Company for a period of 5 years from 1st August, 2010 by the Board of Directors in their meeting held on 12th August 2010 subject to the consent of the Members of the Company and on the recommendation of the Remuneration Committee of the Board held on 02nd August 2010. The Remuneration Committee and Board of Directors fixed the remuneration of the Whole-time Director looking into the trend in the Industry, appointee's experience, his past performance, his past remuneration etc. details of which are as under :

- 1) Salary: Rs.2,50,000/- per month with Annual increment of Rs.50,000/- every year.
- 2) Medical Expenses: Reimbursement of Medical Expenses incurred for him and his family subject to a ceiling of one month salary in a year.
- 3) Club Fees: Club Fees Subject to a Maximum of 2 Clubs. This will not include admission and life membership fees.
- 4) Car: Provision of a 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) Telephone at residence and: Provision of a telephone at his Mobile phone residence and 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 expenses entitled to be reimbursed in respect of all expenses incurred by him including traveling, entertainment etc. for and on behalf of the Company. However, no sitting fees will be paid to the Whole-time Director for attending the Meetings of the Board of Directors or Committees thereof.
- 8) Explanation: Family means the spouse, dependent children and parents of the Managing Director.

Other Terms and Conditions:

- 9) Minimum Remuneration: If in the subsequent years profits of the Company remains inadequate or Company incurs losses then the Managing Director shall be paid Remuneration within the ceiling prescribed under Schedule XIII to the Companies Act, 1956.
- 10) Job Responsibility: The Whole-time Director shall look after all Finance, Accounts and Administration work of the Company subject to the superintendence and control of the Board of Directors of the Company and shall carry out such other work as may be entrusted to him by the Board of Directors of the Company.
- 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 be necessary or required and shall use his best endeavors to promote the interest and welfare of the Company.
- 12) Ceasing of Office: If any time the Whole-time Directors ceases to be Director of the Company for any cause whatsoever, he will cease to be Whole-time Director in terms of this appointment forthwith.
- 13) Notice period: The appointment of the 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.

This may also be treated as an abstract of the Terms & Conditions including the details of remuneration payable to the Whole-time Director, in terms of Section 302 of the Companies Act, 1956.

Mr. Madhusudan S. Jhunjunwala himself and Mr. Krishnakumar Jhunjunwala relative of Mr. Madhusudan S. Jhunjunwala are interested in the Resolution.

For and on behalf of the Board

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole-time Director

Place : Mumbai
Date : 12th August, 2010

NOTES

[illegible]



SARLA PERFORMANCE FIBERS LIMITED

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

PROXY FORM

*DP ID _____

*Client ID _____

Regd. Folio No. _____

I/We _____
of _____ in the district of _____
being member/members of SARLA PERFORMANCE FIBERS LIMITED hereby appoint _____
of _____ in the district of _____
or failing him _____ of _____ in the district of _____
as my/our proxy to vote for me/us and on my/or behalf at the
Seventeenth Annual General Meeting of the Company to be held on Saturday, the 25th September, 2010 at 11.30 a.m. and at
any adjournment thereof.

Signed this _____ day of _____ 2009.

Affix
Re. 1/-
Revenue
Stamp

Signature of Shareholder

NOTE: This form duly completed should be deposited at the Registered Office of the Company before 48 hours of the meeting.

* Applicable for members holding shares in dematerialised form.



SARLA PERFORMANCE FIBERS LIMITED

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

ATTENDANCE SLIP

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

I hereby record my presence at the Seventeenth Annual General Meeting of the Company at the Registered Office situated at
59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 U.T. of Dadra & Nagar Haveli, on Saturday, the 25th September, 2010 at
11.30 a.m

Full name of the Shareholder/Proxy _____
(in block letters)

Regd. Folio No. _____

*DP ID _____

*Client ID _____

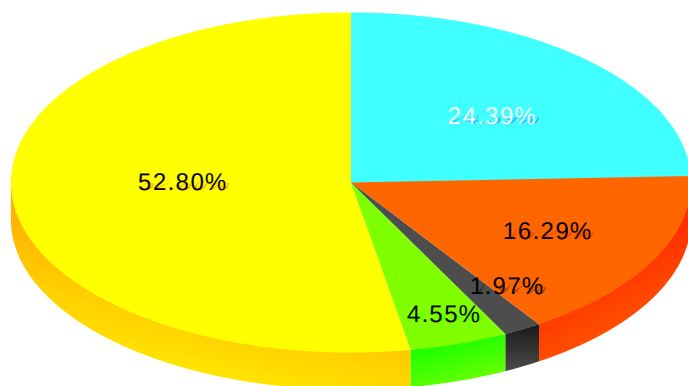
No. of Share Hold _____

Signature of Shareholder

(PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING)

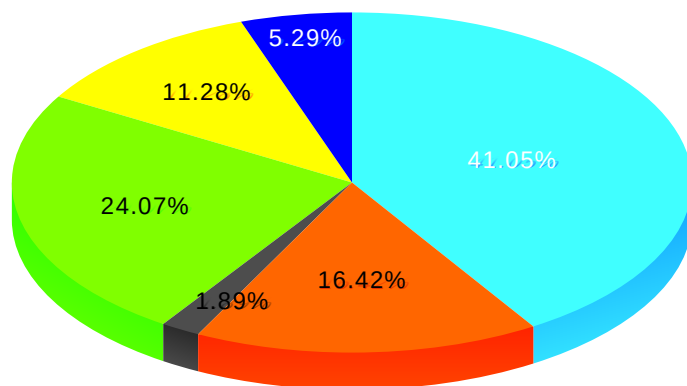
*Applicable for members holding shares in dematerialised form.

SOURCES OF FUNDS 2009 - 2010



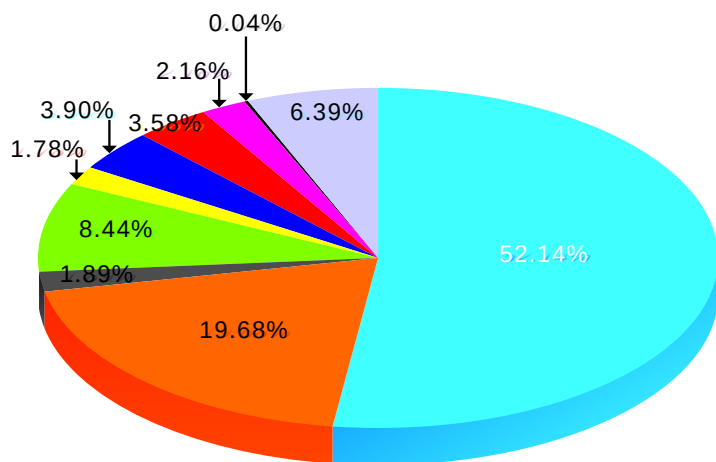
	(Rs. in Lacs)
Money Borrowed from Banks and Others	3,502.71
Payable for Goods and Other Liabilities	2,340.28
Proposed Dividend	283.66
Deferred Tax Liability	653.27
Share Holders Funds	7,583.41
	<u>14,363.33</u>

APPLICATIONS OF FUNDS 2009 - 2010



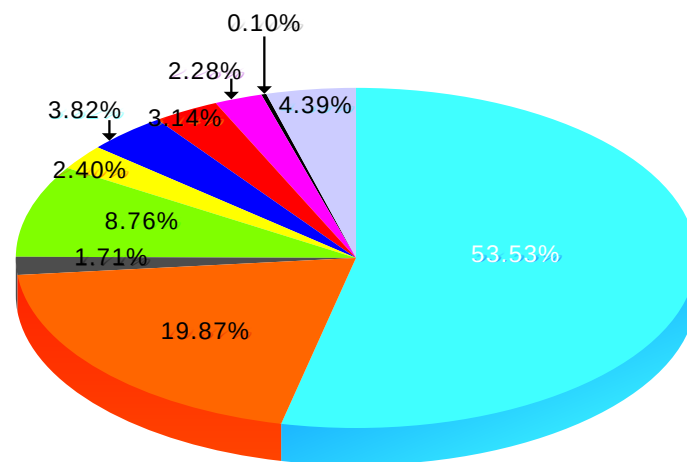
	(Rs. in Lacs)
Fixed Assets	5,896.82
Investments	271.68
Inventories	2,358.17
Receivables	3,456.96
Loans and Advances	1,620.20
Cash and Bank Balances	759.51
	<u>14,363.33</u>

DISTRIBUTION OF REVENUE 2009 - 2010



	(Rs. in Lacs)
Material	6,852.52
Manufacturing Expenses	2,586.20
Employee Remuneration & Benefits	248.46
Administrative & Other Expenses	1,109.35
Interest & Finance Charges	234.43
Depreciation	512.52
Tax	470.24
Divided (including tax)	283.66
Others	5.62
Retained Earnings	839.14
	<u>13,142.14</u>

DISTRIBUTION OF REVENUE 2008 - 2009



	(Rs. in Lacs)
Material	6,678.54
Manufacturing Expenses	2,479.36
Employee Remuneration & Benefits	213.12
Administrative & Other Expenses	1,093.37
Interest & Finance Charges	299.91
Depreciation	476.15
Tax	391.34
Divided (including tax)	284.60
Others	12.22
Retained Earnings	547.81
	<u>12,476.42</u>



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