

CHAIRMAN/ MANAGING DIRECTOR NOTE

Sarla Performance Fibers Limited ("SPFL") had incorporated its wholly owned subsidiary, Sarlaflex Inc., in the United States of America with the objective of expanding its global manufacturing footprint. Accordingly, SPFL invested approximately ₹100 crore through a combination of equity and loans (subsequently converted into preference shares).

However, due to unforeseen business and market circumstances, the subsidiary was unable to achieve sustainable profitability and suspended its manufacturing operations in December 2017. As at March 31, 2026, the subsidiary has a negative net worth.

In view of the prolonged underperformance and erosion of net worth, the management has decided to divest its investment in the preference shares. Pursuant to this transaction, a loss of ₹7,713.26 lakhs has been recognized in the books of accounts.

Financial and Strategic Impact

- The recognized loss is largely a **non-cash accounting adjustment**, except for ₹111.59 lakhs received towards sale consideration. Accordingly, the transaction does not impact the Company's operational liquidity or current cash flows.
- **Improvement in ROCE:** By eliminating non-productive capital from the balance sheet, the Company expects a direct improvement in its Return on Capital Employed (ROCE).
- The transaction strengthens the balance sheet by removing legacy assets that were not generating returns.

"By addressing this legacy investment, we are creating a leaner and more agile balance sheet. This strategic exit enables us to redeploy capital and management focus towards our core and high-growth business segments."

Future Outlook

The management remains optimistic about revenue growth, particularly driven by increasing exports to global markets, with expectations of improved margins in the current year. During the year, the Company has commenced supplies to new customers, where significant potential is envisaged for revenue expansion and long-term business growth.

For Sarla Performance Fibers Limited


Krishna Jhunjunwala
Managing Director
DIN: 000971715



Regd. Off. & Works 1:
Survey No. 59/1/4.
Amlji Piparia Industrial
Estate, Silvassa-396 230,
U.T. Dadra & Nagar Haveli

Works 2:
Survey No.
64/2/3/4,61/1,61/2,62/5,63/5,63/7,
Amlji Piparia Industrial Estate,
Silvassa-396 230,
U.T. Dadra & Nagar Haveli

Works 3:
Survey No. 213/P,
Plot No. 11 & 12,
Dadra-396 191,
U.T. Dadra & Nagar Haveli

Vapi Works:
Shed No. A1/48,
100 Sheds Area,
GIDC, Vapi-396 195
(Gujarat)