

A large, decorative graphic consisting of multiple parallel, wavy lines in shades of blue and green, arching across the upper half of the page.

VICTORY IN SUSTAINABILITY

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16th ANNUAL REPORT

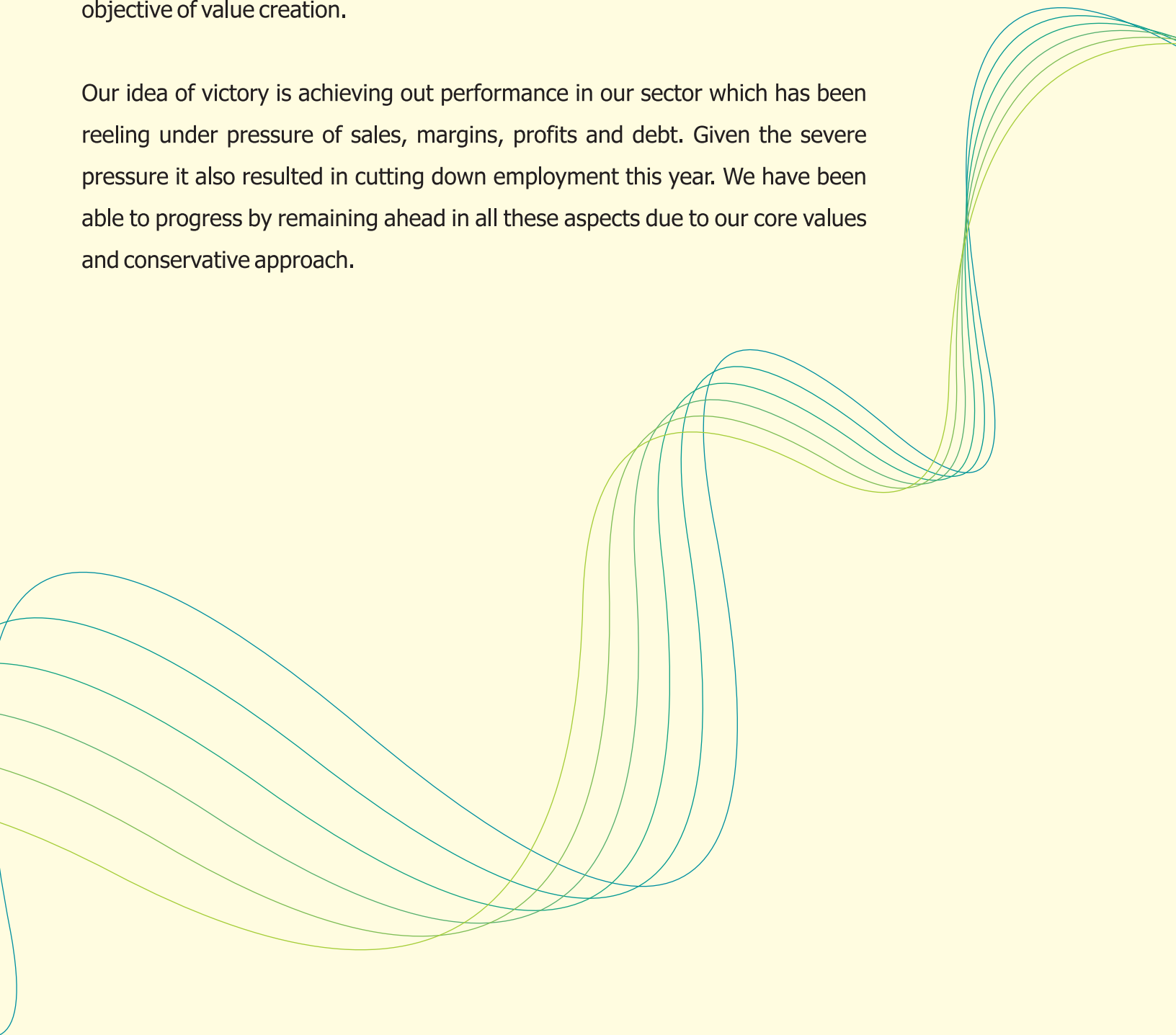
2008-09

VICTORY IN SUSTAINABILITY

“Victory, victory at all costs, victory in spite of all terror, victory however long and hard the road may be; for without victory there is no survival.”

Our idea of victory is achieving sustainable performance for all our stakeholders including shareholders, employees, suppliers and customers. This spirit will guide us in good years and bad and will not move us away from this core objective of value creation.

Our idea of victory is achieving out performance in our sector which has been reeling under pressure of sales, margins, profits and debt. Given the severe pressure it also resulted in cutting down employment this year. We have been able to progress by remaining ahead in all these aspects due to our core values and conservative approach.



Board of Directors

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

Company Secretary

Manish Agarwal

Audit Committee

Arun Vaid	Chairman
Madhusudan Jhunjhunwala	Member
Sanjay Karandikar	Member

Auditors

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

Bankers

Andhra Bank	Citibank	Corporation Bank
Standard Chartered Bank	DBS Bank	

Registered Office:

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

Plants:

- 1) Survey No. 59/1/4, Amla 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, Amla 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.

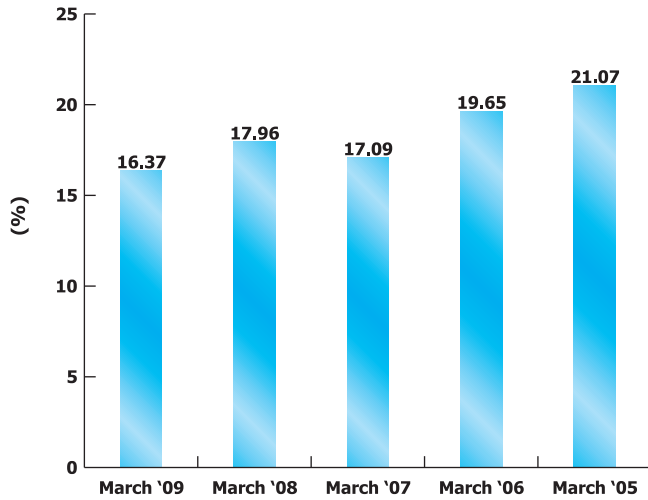


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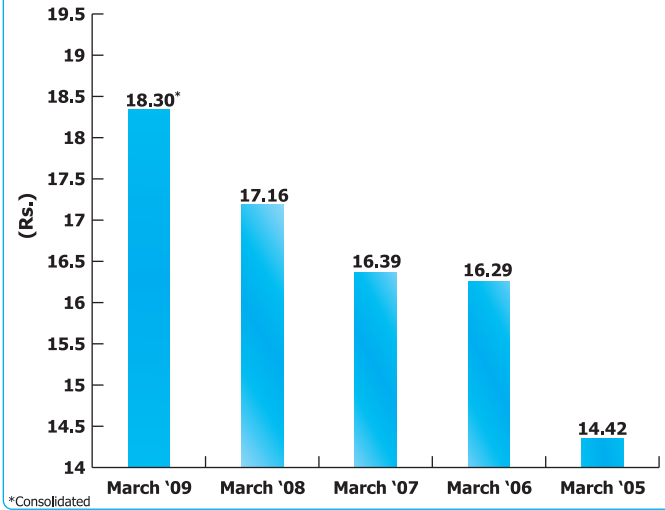
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PERFORMANCE AT A GLANCE

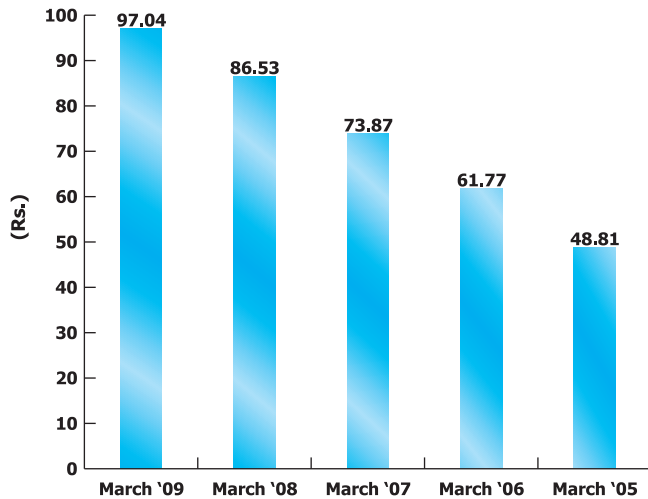
Operating Profit Margin (Excl.O.I.) (%)



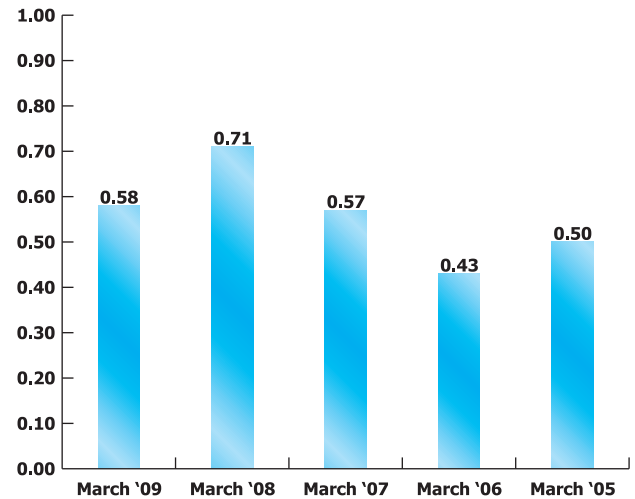
Earning Per Share (Rs.)



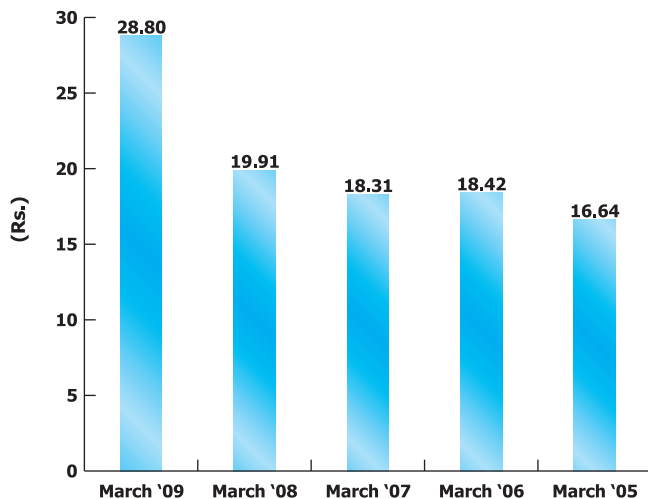
Book Value (Rs.)



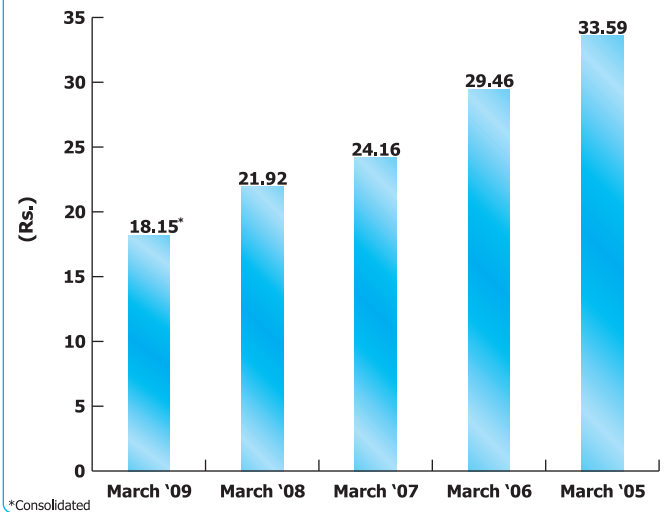
Debt / Equity (X)



Dividend Payout (%)



Return on Avg. Net Worth (%)



FROM THE DESK OF MANAGING DIRECTOR

Dear Shareholders,

“You do your worst and we will do our best.”

Winston Churchill’s above quote best reflects our response to the situation last year. The sudden emergence of the greatest economic crisis after 1929 in the world economy was no less than a bloody battle ! The demand for textile products has been affected severely , driving down the inventories. This has in turn affected intermediate manufacturers like us. In general exports are down 30% for the last 6 months. The year also saw the ghastly terrorist attack in Mumbai and crucial elections.

We had to redefine priorities to operate in such an environment. Let me explain them as under:

1. Offset fall in sales by tapping new geographies and customers
2. Keep tight control over operating costs
3. Maintain discipline over cash flow, working capital and borrowings



I am glad that our team has adhered to above priorities very well and we have ended the year without spoiling our selling price, receivables and to a good extent our margins. Though, there will be near term pressure on these but we are reasonably confident of overcoming these challenges in the medium term and grow from current levels. In the bargain, we did not focus on achieving very rapid growth and will wait for environment to stabilize.

Our net profits are lower than previous year but these are impacted by temporary factors such as a) increased interest costs b) non recurring foreign exchange loss. Lower net profit can also be attributed to higher employee expenses and tax out go. Our EBIDTA remained nearly the same reflecting the strength of our core business and operating performance.

This year we expect moderation in interest costs and minimization of foreign exchange losses.

Our initiatives of entering Europe market through dedicated arrangement with a few large customers will help to some extent this year. A better utilization of capacity for our high tenacity nylon yarns should help offset pressure on revenue and earnings.

One concern which is unlikely to go away immediately is poor quality of power in our Silvassa plant and substantial increase in electricity tariff. Despite no major change in production our power costs were higher by Rs. 180 Lacs, shaving nearly 150 basis points from our EBIDTA margin.

Finally, I want to highlight this year’s theme which is – V sign. I also want to complement our team for their Victory spirit and performance under the circumstances.

“ The V sign is the symbol of unconquerable will. ” . Last year we demonstrated this V sign and this year too is full of challenges requiring us to show that we will last longer than the tough time. We are inspired by the great Winston Churchill and his famous speeches which he made during and after world war 2. We have used some of his words of wisdom extensively in this report which will impart us a lot of strength to defy the odds.

We sincerely appreciate the support and faith of our shareholders and will strive for better rewards to come to them through higher dividends and capital growth in the medium to long run.

Best Regards.

KRISHNAKUMAR JHUNJHUNWALA.

DIRECTOR'S REPORT

"Nothing is more dangerous...than to live in the temperamental atmosphere of a Gallup Poll always feelings one's pluse and taking one's temperature."

To,
The Members,

Your Directors have pleasure in presenting their Sixteenth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2009.

1. FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2008-09	2007-08
Total Income	12,184.37	11,224.79
Profit before Financial Charges and Depreciation	2,012.03	2089.80
Less: Financial Charges	299.91	188.21
Depreciation	476.15	<u>384.91</u>
Profit before Tax	1,235.97	1,516.68
Less: Provision for Tax	324.24	224.39
Provision for Deferred Tax	60.76	65.12
Provision for Fringe Benefit Tax	6.34	5.10
Profit after Tax	844.63	1,222.07
Prior period Adjustments	(12.22)	(9.78)
Balance brought forward	3,044.65	2,450.93
Short Provision of Income Tax of earlier years	-	33.97
Surplus available for appropriation	3,877.06	3,629.25
APPROPRIATION		
Transfer to the General Reserve	300.00	300.00
Dividend @ 35% (P.Y. 35%)	243.26	243.26
Dividend Tax	41.34	41.34
Balance carried forwarded to the Balance Sheet	3,292.46	3,044.65

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. 12163.75 Lacs as against Rs. 11135.43 lacs in 2007-08 registering an annual growth of 9.23%. The FOB value of exports increased by 0.30% from Rs. 6958.97 Lacs to Rs. 6980.04 Lacs.

• Profitability

The profit before Depreciation, Interest & Tax was Rs. 2012.03 Lacs as compared to Rs. 2089.80 Lacs in the previous year. After providing for depreciation of Rs. 476.15 Lacs (Previous Year Rs. 384.91 lacs) & provision for taxation of Rs.391.34 Lacs (Previous Year Rs. 294.61 lacs), there was a net profit of Rs. 844.63 Lacs as compared to Rs. 1222.07 Lacs in the Previous Year.

• Dividend

Your Directors have pleasure in recommending dividend @ 35% for the year ended 31st March 2009. We have maintained the rate of dividend and increased the pay out ratio to 29% from 19% in previous year as a result of our confidence on long term prospects of your company and shareholder value creation.

3. MANAGEMENT DISCUSSION & ANALYSIS

This section of the Directors' Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation

is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

A. Business Overview

- Economy:** The Indian economy has been growing in excess of 8.5 per cent in the last five years and is widely estimated to continue this growth rate in the long term. However, last fiscal it grew at a rate of 7% and similar growth is expected for this year given the impact of global economic slowdown. The global slowdown is having a wide ranging impact on consumption and saving habits of people in the developed market. The emerging markets are spared from this negative impact to some impact and have shown encouraging signs of an early recovery in the first quarter of calendar 2009. With slowing economic growth to persist in developed world for a long period the centre of attention has shifted to India and China. Both these countries with their vast population and huge growth potential are getting set for the next stage of growth. In the near term, lack of growth in developed nations will reduce the outsourcing and exports of these countries but it does not undermine the importance of sustainable low cost manufacturing advantage which cannot be replicated easily. In the long run we remain confident of large outsourcing opportunity in general and that for the textile sector in particular. In fact, removal of constraints like capacities at port for container load exports, turnaround time of ships and surplus power in 5 years time period should provide significantly better positioning of grabbing more share of the high tenacity yarn outsourcing. Amidst all the gloom the bright spark is the new government in India with a majority in many years which will allow it to execute long pending policy reforms.
- 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 15 years back as a commodity manufacturer of Man Made Fiber. However, in the last five years, it has successfully transformed its business strategy and implemented a niche business model. It has an installed capacity of 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. Your company is in the process of establishing a similar arrangement for tapping outsourcing arrangement in Europe. We expect to put in place this business in Europe during 2009.
- 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 yarns 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.

Segment	FY 2008-09 (% of Total Sales)	FY 2007-08 (% of Total Sales)
Innerwear, Narrow Fabrics, Hosiery and Sportswear	41.03	39.06
Threads	36.30	34.81
Industrial Yarns	3.29	10.03
Commodities	19.38	16.10
	100.00	100.00

Turnover Break Up (Geographical)

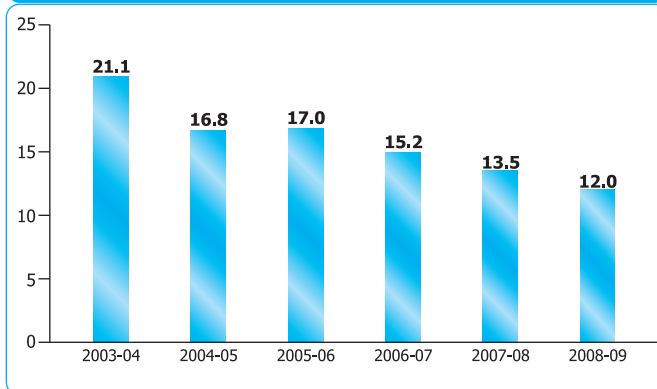
Region	FY 2008-09 (% of Total Sales)	FY 2007-08 (% of Total Sales)
South, North & Central America	14.78	20.63
Middle East & Europe	28.13	20.98
Africa	2.08	7.22
Asia Pacific	55.01	51.17
	100.00	100.00

In all, we export to over 41 countries and about 108 customers. Our customer concentration is well distributed and no one customer exceeds more than 8.00% of our revenue.

B. Opportunities And Threats:

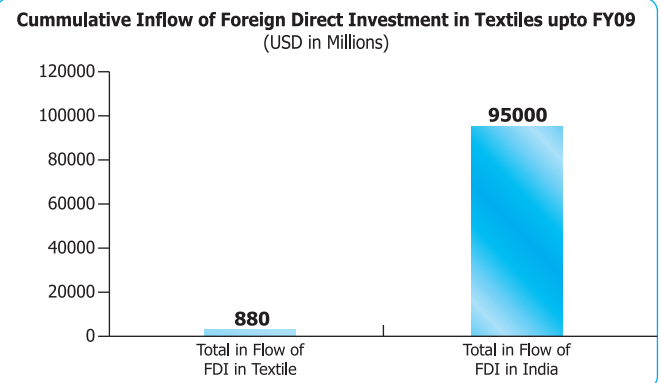
Unfortunately, there are only threats and weaknesses to highlight for India's textile sector. The opportunities are significant but to realize will require a totally different mindset of government and companies engaged in this sector. The textile sector exports amounted to approximately Rs. 900bn in 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, d) lower interest rates for exporters etc. The income tax benefits for exporters have also been extended for one more year. However, this is not adequate to provide a long term growth platform to the sector. Most of the units are small and fragmented and suffer from lack of automation. Due to poor logistics and power supply their cost of production is very high and with these deficiencies one cannot expect this sector to achieve economies of scale like it has in China. Also, the emphasis on value addition is missing. There is no additional benefit to those who are focusing on value added production. Thus, structurally the sector will continue to suffer until these gaps are addressed. Textile sector certainly cannot expect to become software sector in the near to medium term.

Textile Exports as % of Total Exports Declining Trend



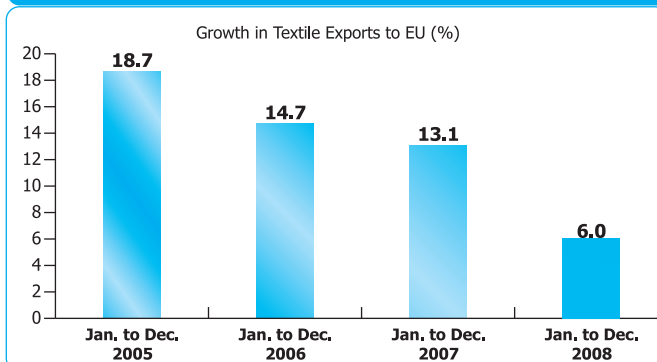
Source: Ministry of Textile

Foreign Direct Investment in India for Textiles Sector is very lower

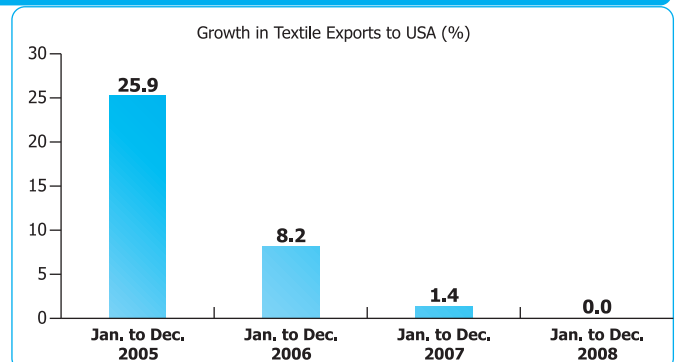


Source: Ministry of Textile

Growth showing declining Trend to USA and EU Countries from India



Source: Ministry of Textile



Source: Ministry of Textile

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 year 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 9.23 per cent in FY 08-09. This is despite decrease in volume by 0.92 percent.

Item	2008-09	2007-08	% increase
Raw Material Cost	6,678.54	6,027.27	10.81
Other Expenditure	3,785.86	3,122.61	21.24
EBIDTA	2,012.03	2,089.80	(3.72)
Interest Cost	299.91	188.21	59.35
Fixed Assets (Gross Block)	7,256.42	6,673.05	8.74
Net Current Assets	5,781.39	5,378.67	7.49
Working Capital Finance	3,695.45	4,178.10	(11.55)
Cash & Bank Balances	963.14	918.74	4.83

Note: standalone performance comparison.

E. Risks and Concerns:

Interest Rates: The company's average gross interest cost in the last year was 8.80% as compared to the previous year 7.0%. The company's present Debt-Equity Ratio is 0.58. The long term Debt-IEquity Ratio is zero. Interest costs and debts are being managed in an effective manner. A rising interest rates scenario will not be a threat, given the company's strategy to grow from internal accruals.

Exchange Rate: 57 per cent of company revenue is in foreign currency (USD/EURO/GBP) and balance revenue in Indian Rupee. Also, we import 49 per cent of turnover (83.51% 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 cater to retail customers. Its sales are to the business segment and hence it has been able to pass on inflationary pressures. It does not expect any major impact due to current high level of inflation.

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.

F. Internal Control System and Their Adequacy:

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

G. Human Resources/Industrial Relations:

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

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

"Never give in, never give in, never, never, never, never - in nothing great or small, large or petty - never give in except to convictions of honour and good sense."

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.

I. Performance Analysis

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
A. Operational Performance (%)						
Operating Profit Margin (excl. O.I.)	16.37	17.96	17.09	19.65	21.07	18.4
Operating Profit Margin (incl. O.I.)	16.54	18.77	19.53	20.48	21.89	18.21
Interest / Sales	2.47	1.69	1.61	1.38	1.07	1.69
Tax/PBT	31.66	19.42	23.14	20.11	19.78	16.96
Net Profit Margin	6.94	10.97	11.48	12.91	14.04	11.9
B. Financial Performance						
Debt / Equity (x)	0.58	0.71	0.57	0.43	0.50	0.43
Interest Coverage (x)	6.71	11.1	12.17	15.02	20.63	10.87
Average Cost Of Debt (%)	7.36	5.24	6.63	6.73	5.43	10.06
Debtors Period (days)	108.55	112.76	90.77	97.57	85.03	79.17
Closing stock (days)	69.15	71.12	61.37	60.17	55.74	56.13
Inventory Turnover Ratio (x)	5.28	5.13	5.95	6.07	6.55	6.50
Fixed Assets Turnover (x)	2.39	2.24	2.80	2.59	2.19	2.08
Net Current Assets Turnover (x)	2.10	2.07	2.28	3.00	3.74	5.21
C. Valuation Parameters						
Earnings Per Share (Rs.)	12.33	17.16	16.39	16.29	14.42	10.22
Cash Earnings Per Share (Rs.)	19.00	23.12	20.62	20.01	17.84	12.12
Dividend Per Share (Rs.)	3.50	3.50	3.00	3.00	2.40	1.20
Dividend Payout (%)	28.80	19.91	18.31	18.42	16.64	11.75
Profit Ploughback (%)	71.20	80.09	81.69	81.58	83.36	88.25
Book Value (Rs.)	97.04	86.53	73.87	61.77	48.81	37.09
Return on Avg. Net Worth (%)	13.24	21.92	24.16	29.46	33.59	30.66
Return on Avg. Cap. Employed (%)	14.36	19.49	21.72	25.46	27.92	26.53

4. PREFERENTIAL ISSUE OF WARRANTS

During the financial year 2007-08 the members of the Company in the Extra Ordinary General Meeting held on 26th March, 2008 had accorded their consent to issue 12,00,000 warrants of Rs. 152/- each, aggregating Rs.1824 Lacs (6,00,000 warrants to the Promoter group and 6,00,000 warrants to others) through a preferential offer on a private placement basis with a right exercisable by the warrant holders to subscribe 1 Equity Share of the company of Rs. 10/- each, at a premium of Rs. 142/- per share, against 1 warrant.

After obtaining the Consent of Members, Company had issued the aforesaid warrants on 10th April, 2008. The Warrant holders can exercise their option at any time upto 9th October, 2009.

5. 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 33.25% stake in M/s Savitex, SA De CV, a Joint Venture and the parent company is also holding 6.75% stake in the said JV.

The Joint Venture M/s Savitex, SA De CV has made a total turnover of Rs. 3098.13 Lacs and earned a total net profit of Rs. 922.64 Lacs after depreciation in the financial year 2008-09. 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 share of Joint Venture M/s Savitex, SA De CV were Rs. 1304.42 Lacs and Rs. 337.94 Lacs respectively in the financial year 2008-09. Local Laws do not have mandatory requirement of the Audit of the Accounts of Joint Venture Company but the company has employed external auditors to give true and fair picture of the Accounts.

FIXED DEPOSIT

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

6. PERSONNEL

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

7.

AUDITORS & AUDITORS REPORT

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

8.

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

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:-

10. 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, 2009 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, 2009 on a Going Concern basis.

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

11.

(before share of loss in associate company and prior period expenses) stands at Rs. 1272.02 lacs.

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

12.

appended to and form part of the Annual Report.

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

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

13.

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.

FORM 'A'

Form for Disclosure of particulars with respect to conservation of Energy

	Current Year 2008-09	Previous Year 2007-08
A. Electricity		
a) Purchased		
Unit	17336463	16649353
Total Amount (Rs.)	69334926	52984003
Rate/Unit (Rs.)	4.00	3.18
b) Own Generation		
1) Through diesel generator	285940	850912
Unit per ltr. of diesel oil	3.26	3.30
Cost/Unit (Rs.)	8.48	8.63
2) Through steam turbine generator	—	—
B. Coal (Specify quantity & where used)	—	—
C. Furnace Oil		
For Generating steam for Boiler – Ltrs.	443748	451679
Total Amount (Rs.)	10000432	8979071
Cost/Ltr. (Rs.)	22.53	19.88
D. Others/Internal generation	—	—

E. Consumption per unit of production

	Standard (if any)	Current Year 2008-09	Previous Year 2007-08
Product – Yarns (M.T.)	—	9642	9275
Electricity – Units	—	1828	1887
Furnace Oil – Ltrs.	—	173	184
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.
	Expenditure on R & D.	All machineries are dedicated for operational as well as R & D activities hence no separate accounts are maintained and as such expenditure on R & D is not separately ascertainable.
	a) Capital	
	b) Recurring	
	c) Total	
	d) Total R & D expenditure as percentage of total Turnover.	N.A.

4.	Technology absorption, adoption and innovation.	Continuous efforts towards improvement of process and equipment are made out to suit market requirements and to achieve optimum operational efficiency.
	1. Efforts in brief, made towards Technology absorption, adoption and innovation products	
	2. Benefit derived as a result of the above efforts e.g product improvement, cost reduction, development, import substitution, etc.	Introduction of several new products
	3. In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.	N. A.
	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.	

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. 6980.04

FOREIGN EXCHANGE USED
 (Rs. in Lacs)
 Rs. 6017.85

14. 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 Chartared 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

Place: **Mumbai.**
 Date : **30th June, 2009**

(MADHUSUDAN S. JHUNJHUNWALA)
 Chairman & Whole Time Director

*" Change is the master Key.
 A man can wear out a
 particular part of his mind
 by continually using it and
 tiring it, just in the same
 way as he can wear out the
 elbows of his coat."*

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.
2. Holding Company's Interest	: 4,35,000 Shares
3. Extent of Holding	: 100%
4. Subsidiary Financial Year	: 31st March, 2009
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)	: 59.59
ii) For the previous financial years of the subsidiaries since they become the holding company's subsidiaries (Rs. in lacs)	: 29.61
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

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: **Mumbai.**
Date : **30th June, 2009**

CORPORATE GOVERNANCE REPORT

Annexure - A

Responsibility is a wonderful agent when thrust upon competent heads."

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 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 Board is five Directors, consisting of two Executive and three Non-Executive Directors. The Chairman and 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 2008-09		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. Jhunjunwala	Chairman - Executive - Promoter	6	6	No	—	—
Mr. Krishnakumar M. Jhunjunwala	Managing - Director - Promoter	6	6	Yes	—	—
Mr. Sanjay Karandikar	Director - Non Executive - Independent	6	6	No	—	—
Mr. Arun Vaid	Director - Non Executive - Independent	6	6	Yes	—	—
Mr. Jigar A. Shah	Director - Non Executive - Independent	6	6	No	—	—

During the year under review, 6 Board Meetings were held on 28th June 2008, 29th July 2008, 22nd August 2008, 25th September 2008, 24th October 2008 and 30th January 2009.

Relationship among the Directors

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

3. CODE OF CONDUCT

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

“In an aerial war the greatest form of defence will undoubtedly be offence.”

4. AUDIT COMMITTEE

During the year under review, Five meetings of the Audit Committee were held on 15th April 2008, 28th June 2008, 29th July 2008, 24th October 2008 and 30th January 2009. The composition of the committee and attendance at its meetings is given below:

Name of Directors	Category	No. of Meetings Held	No. of Meetings Attended
Mr. Madhusudan S. Jhunjunwala - Member	Executive	5	5
Mr. Arun Vaid - Chairman	Non-Executive	5	5
Mr. Sanjay Karandikar - Member	Non-Executive	5	5

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 no Meeting of Remuneration Committee was held because there was no matter took place which required consideration by the Remuneration Committee during the year.

The details of sitting fees paid to the Directors during the year 2008-09 are given below:-

Name of Directors	Sitting Fees (Rs.)
Mr. Arun Vaid	6000
Mr. Sanjay Karandikar	6000
Mr. Jigar A. Shah	6000

Company has paid a remuneration of Rs.22,50,000.00 to Mr. Krishnakumar M. Jhunjunwala, Managing Director and Rs. 17,00,000.00 to Mr. Madhusudan S. Jhunjunwala, Chairman & Whole Time Director of the Company during the financial year 2008– 2009.

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 2004
 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

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
2005-2006	28th September 2006	11.30 a.m.	Registered Office of the Company: Survey No. 59/1/4, Amlī Pipariā Industrial Estate, Silvassa - 396 230 U.T. OF D. & N. HAVELI.
2006-2007	28th September 2007	11.30 a.m.	
2007-2008	30th September 2008	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 16 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 on 30th June 2009 to approve the Audited Annual Accounts for the year ended 31st March, 2009.

- 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 2008-2009 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. 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 Last week of July 2009 Second Quarter Last week of October 2009 Third Quarter Last week of January 2010 Fourth Quarter/Annual Last week of April/June 2010
Dividend payment date	Refer notice of Annual General Meeting.
Listing on Stock Exchanges and Stock Code	<ul style="list-style-type: none"> • Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001. - Stock Code No. 526885 and • National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra East, MUMBAI – 400 051 - 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 2008-2009 on the Bombay Stock Exchange and National Stock Exchange.

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2008	168.00	125.00	164.00	126.00
May 2008	168.00	144.00	169.90	145.20
June 2008	155.00	120.60	158.20	122.00
July 2008	136.00	109.20	138.65	109.00
August 2008	124.00	96.50	127.00	95.60
September 2008	104.05	82.20	103.80	88.00
October 2008	88.00	40.55	94.40	42.50
November 2008	70.00	46.10	72.00	46.00
December 2008	48.00	33.60	47.00	33.00
January 2009	37.90	27.20	36.40	27.45
February 2009	32.20	25.95	33.50	27.00
March 2009	34.35	25.40	34.90	22.50

Chart of Company Share Prices compared to BSE Sensex.

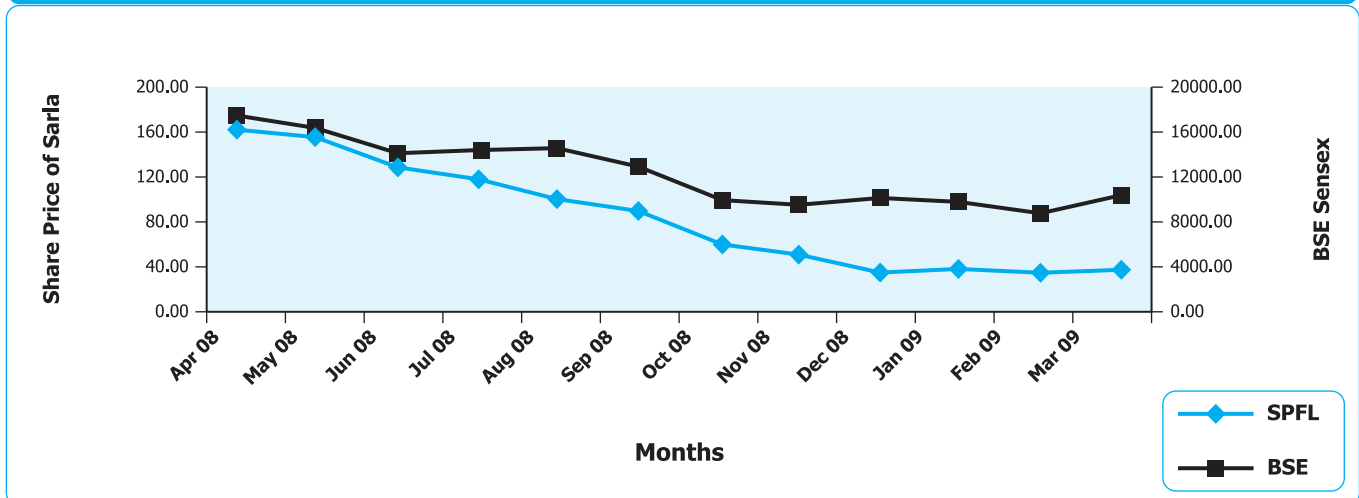
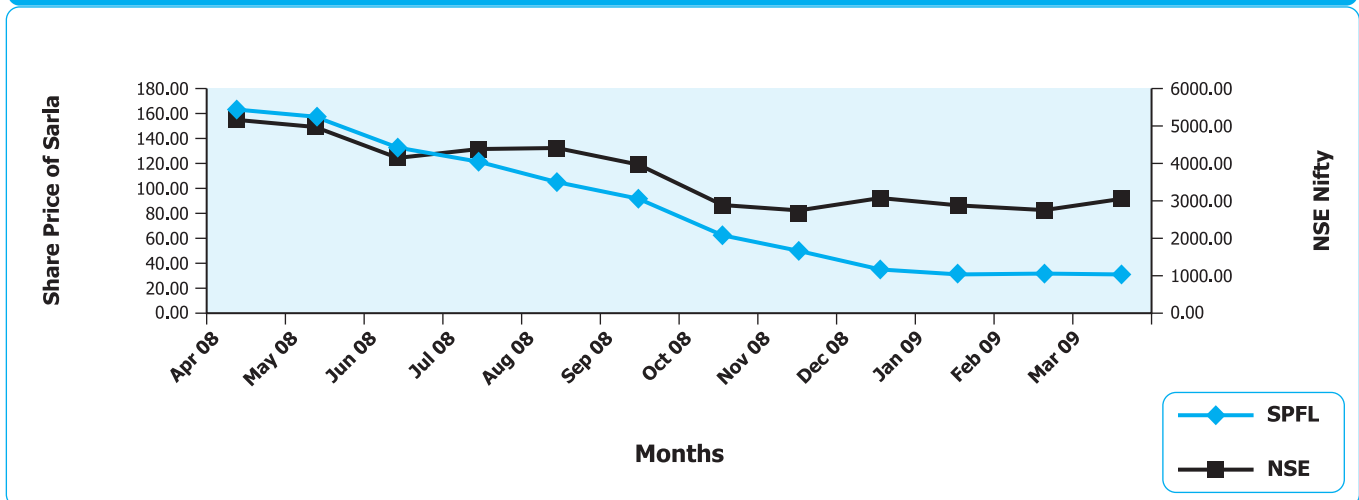


Chart of Company Share Prices compared to NSE Nifty Index.



12. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2009

Shares of Nominal Value (Rs.)		Shareholders		Total Amount (Rs.)	
From	To	Number	% to Total	Amount	% to Total
1	5000	2394	85.44	4,211,940.00	6.06
5001	10000	157	5.60	1,273,520.00	1.83
10001	20000	87	3.10	1,350,800.00	1.94
20001	30000	41	1.46	1,057,660.00	1.52
30001	40000	24	0.86	855,980.00	1.23
40001	50000	26	0.93	1,250,770.00	1.80
50001	100000	28	1.00	2,058,480.00	2.96
100001 and above		45	1.61	57,443,850.00	82.65
Total		2802	100.00	69,503,000.00	100.00

13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2009

Category	No. of shares	%
Promoters	4,163,952.00	59.910
Mutual Funds & UTI	2,000.00	0.029
Fins / Banks	50.00	0.001
FII(S)	44,556.00	0.641
Private Corporate Bodies	1,002,916.00	14.430
Indian Public	1,446,384.00	20.810
Non Residence Indians	288,822.00	4.156
Any other (Clearing Members)	1,620.00	0.023
Total	6,950,300.00	100.000

14. DEMATERIALISATION OF SHARES

95.38% of the total equity capital of the Company was held in dematerialised form as on 31st March, 2009.

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 Jhunjhunwala, Chairman & Whole-Time Director of the Company, hereby declare that all the Members of the Board of Directors and Senior Management personnel of the Company have affirmed Compliance with the Code of Conduct for the year ended 31st March, 2009

For SARLA PERFORMANCE FIBERS LIMITED

Place: **Mumbai.**

Date : **30th June, 2009**

(MADHUSUDAN S. JHUNJHUNWALA)

Chairman & Whole Time Director

CERTIFICATE OF THE AUDITORS IN RESPECT OF COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of
Sarla Performance Fibers Limited

We have examined the compliance of conditions of corporate governance by Sarla Performance Fibers Limited, for the year ended 31st March, 2009 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

Place: **Mumbai.**
Date : **30th June, 2009**

M. B. DESAI
Partner
Membership No. 33978

AUDITORS' REPORT

To,
The Members of
Sarla Performance Fibers Ltd.

" It is better to be making the news than taking it, to be an actor rather than a critic."

We have audited the attached Balance sheet of **Sarla Performance Fibers Ltd.** as at 31st March, 2009 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- D. In our opinion the Balance Sheet and 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 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 a joint venture 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, 2009 and
 - ii. In the case of Profit and Loss account of the profit of the Company for the year ended on that day.
 - 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

Place: **Mumbai.**
Date : **30th June, 2009**

M. B. DESAI
Partner
Membership No. 33978

ANNEXURE TO AUDITORS'S 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 not granted any unsecured loan to any Company covered in the register maintained u/s 301 of the Act.
b. In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions of the loan given by the company are prima facie not prejudicial to the interest of the company.
c. In our opinion there is no overdue amount in respect of unsecured loan given.
d. The Company has taken loan from 1 party entered in register maintained u/s 301 of companies Act, 1956. The Total Balance at the Year end is Rs. 72,00,000 and maximum outstanding balance during the year was Rs. 72,00,000
e. In our opinion and according to the information and explanation given to us, the unsecured loan received are interest free and other terms and conditions are prima facie not prejudicial to the interest of the company.
f. In our opinion there is Rs. 72,00,000 overdue amount of principal amount of the loan.
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.
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 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, fringe benefit tax, sales tax, wealth tax, customs 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, fringe benefit tax, wealth tax, sales tax, customs duty, service tax and excise duty were outstanding as at 31st March, 2009 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, fringe benefit tax, wealth tax, sales tax, customs duty, service tax, excise duty and cess which have not been deposited on account of any dispute except as stated below:

Nature of the Dues	Amount in Rupees	Period to Which Amount Relates	Forum Where the Dispute is pending
Excise Duty	171,218,725	F.Y. 1999-2000 to 2007-2008	CESTAT
Custom Duty	475,000	F.Y. 1999-2000 & 2000-2001	CESTAT

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 debentureholders.
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 Act.
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

Place: **Mumbai.**
Date : **30th June, 2009**

M. B. DESAI
Partner
Membership No. 33978

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
SOURCES OF FUNDS:			
SHARE HOLDERS FUNDS			
SHARE CAPITAL	1	695.03	695.03
SHARE WARRANTS	1A	182.40	-
RESERVES & SURPLUS	2	5,866.84	5,319.03
DEFERED TAX LIABILITY (NET)	3	583.07	522.31
LOAN FUNDS	4	3,896.80	4,253.57
TOTAL		11,224.13	10,789.94
APPLICATION OF FUNDS:			
FIXED ASSETS:			
GROSS BLOCK	5	7,256.42	6,676.64
LESS: DEPRECIATION		2,175.92	1,699.77
NET BLOCK		5,080.50	4,976.88
CAPITAL WORK IN PROGRESS		-	168.81
		5,080.50	5,145.68
INVESTMENTS	6	362.24	265.59
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS:			
INVENTORIES	7	2,304.29	2,169.82
SUNDRY DEBTORS	8	3,617.34	3,440.11
CASH AND BANK BALANCE	9	963.14	918.74
LOANS AND ADVANCES	10	1,255.69	1,213.66
		8,140.46	7,742.32
LESS: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES	11	2,064.36	2,079.05
PROVISIONS	12	294.72	284.60
		2,359.08	2,363.65
NET CURRENT ASSETS		5,781.39	5,378.67
TOTAL		11,224.13	10,789.94
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 : 30th June, 2009

For and on behalf of Board of Directors

MADHUSUDAN S. JHUNJHUNWALA

Chairman

ARUN VAID

Director

MANISH AGARWAL

Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
INCOME:			
SALES, SERVICES AND EXPORT INCENTIVES	13	12,582.54	11,436.35
LESS: EXCISE DUTY		418.79	300.92
NET SALES		12,163.75	11,135.44
OTHER INCOME	14	20.63	89.36
INCREASE/(DECREASE) IN STOCK	15	292.06	14.89
		12,476.43	11,239.68
EXPENDITURE:			
RAW MATERIAL CONSUMPTION		6,678.54	6,027.28
MANUFACTURING EXPENSES	16	2,479.36	2,086.49
EMPLOYEES REMUNERATION	17	213.12	162.91
ADMINISTRATIVE AND OTHER EXPENSES	18	1,093.37	843.74
EXCEPTIONAL ITEMS(NET)		-	29.47
FINANCE CHARGES	19	299.91	188.21
DEPRECIATION AND AMORTISATION		476.15	384.91
		11,240.46	9,723.01
PROFIT BEFORE TAXATION:		1,235.97	1,516.68
PROVISION FOR TAXATION			
- CURRENT YEAR TAX		324.17	224.39
- DEFFERED TAX		60.76	65.12
- FRINGE BENEFIT TAX		6.34	5.10
- WEALTH TAX		0.06	-
PROFIT AFTER TAXATION		844.63	1,222.07
PRIOR PERIOD ADJUSTMENT		(12.22)	(9.78)
BALANCE BROUGHT FORWARD		3,044.65	2,450.93
SHORT PROVISION OF INCOME TAX OF EARLIER YEARS		-	33.97
BALANCE AVAILABLE FOR APPROPRIATION		3,877.06	3,629.25
APPROPRIATIONS			
DIVIDEND		243.26	243.26
TAX ON DIVIDEND		41.34	41.34
TRANSFER TO GENERAL RESERVE		300.00	300.00
BALANCE TRANSFERRED TO THE BALANCE SHEET		3,292.46	3,044.65
TOTAL		3,877.06	3,629.25
EARNING PER SHARE BASIC	Rs.	12.33	17.16
EARNING PER SHARE DILUTED	Rs.	10.55	17.16
NO. OF SHARES USED IN COMPUTING	No.	6,950,300.00	6,950,300.00
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 : 30th June, 2009

For and on behalf of Board of Directors

MADHUSUDAN S. JHUNJHUNWALA

Chairman

ARUN VAID

Director

MANISH AGARWAL

Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 1: SHARE CAPITAL		
<u>AUTHORISED CAPITAL</u>		
100,00,000 EQUITY SHARES OF RS. 10/- EACH	1,000.00	1,000.00
<u>ISSUED, SUBSCRIBED AND PAID UP</u>		
69,50,300 (P.Y. 69,50,300) EQUITY SHARES OF RS. 10/- EACH	695.03	695.03
	695.03	695.03
<u>SCHEDULE 1: SHARE WARRANTS</u>		
12,00,000 (P.Y. NIL) 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		
<u>GENERAL RESERVE</u>		
BALANCE AS PER LAST BALANCE SHEET	2,274.38	1,987.78
ADD : TRANSFER FROM PROFIT & LOSS ACCOUNT	300.00	300.00
LESS: TRANSITIONAL EFFECT ON ACCOUNT OF AS-15 (REVISED 2005)EMPLOYEE BENEFIT - (REFER NOTE NO.18)	—	13.40
	2,574.38	2,274.38
PROFIT AND LOSS ACCOUNT	3,292.46	3,044.65
TOTAL	5,866.84	5,319.03
SCHEDULE 3: DEFERRED TAX LIABILITY (NET)		
DEFERRED TAX LIABILITY ARISING ON ACCOUNT OF DEPRECIATION	583.07	521.38
LESS : DEFERRED TAX ASSET ARISING ON ACCOUNT OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT	—	0.93
	583.07	522.31
SCHEDULE 4: LOAN FUNDS		
A) SECURED		
<u>WORKING CAPITAL</u>		
FROM ANDHRA BANK		
PACKING CREDIT	158.18	199.00
POST SHIPMENT CREDIT	172.60	161.97
FOREIGN DOCUMENTARY BILL PURCHASE	—	392.72
BUYERS CREDIT	92.44	489.65
FROM CITI BANK N.A.		
PACKING CREDIT	1,017.40	1,133.98
FOREIGN DOCUMENTARY BILL PURCHASE	704.74	772.66
BUYERS CREDIT	42.78	38.47

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
FROM CORPORATION BANK		
PACKING CREDIT	—	58.00
FOREIGN DOCUMENTARY BILL PURCHASE	149.07	23.12
BUYERS CREDIT	351.16	166.13
<p>(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)</p>		
FROM STANDARD CHARTERED BANK		
PACKING CREDIT	371.44	—
EXPORT BILL/ POST SHIPMENT CREDIT	402.39	—
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM DBS BANK		
PACKING CREDIT	152.16	—
BUYERS CREDIT	81.09	588.86
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM BARCLAYS BANK		
PACKING CREDIT	—	14.65
FOREIGN DOCUMENTARY BILL PURCHASE	—	115.52
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM THE HONG KONG & SHANGAI BANKING CORP. LTD		
FOREIGN DOCUMENTARY BILL PURCHASE	—	23.37
<p>(SECURED AGAINST FOREIGN DOCUMENTARY DEMAND BILLS AND PERSONAL GUARANTEE BY ONE OF THE DIRECTORS)</p>		
	3,695.45	4,178.10
B) UNSECURED		
TERM LOAN FROM ICICI BANK LTD.	129.35	—
FROM DIRECTORS/OTHERS	—	3.47
FROM CORPORATE BODY	72.00	72.00
	201.35	75.47
TOTAL (A+B)	3,896.80	4,253.57

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule 5: Fixed Assets

Particulars	Rate (%)	Gross Block			Depreciation			Net Block		
		As on 01-04-2008	Addition during the year	Deduction during the year	As on 31-03-2009	During the Period	Deduction	Upto 31-03-2009	As on 31-03-2009	As on 31-03-2008
Land	0	76.73	—	—	76.73	—	—	—	76.73	76.73
Building	3.34%	853.18	157.92	—	1,011.10	31.22	—	146.78	864.32	737.62
Plants & Machinery	7.42%	5,311.32	336.81	—	5,648.14	405.16	—	1,836.85	3,811.29	3,879.64
Electric Installation	7.42%	260.00	57.84	—	317.84	21.51	—	100.42	217.42	181.09
Office Equipments	4.75%	17.74	3.85	—	21.59	0.97	—	6.86	14.73	11.86
Computer	16.21%	41.05	4.58	—	45.63	6.80	—	41.33	4.30	6.51
Other Fixed Assets	7.42%	46.63	3.85	—	50.48	3.66	—	12.16	38.32	38.13
Motor Car	9.50%	45.02	8.44	—	53.46	4.40	—	21.40	32.06	28.02
Furniture & Fixture	6.33%	21.37	2.56	—	23.93	1.45	—	7.01	16.92	15.81
Total		6,673.05	575.85	—	7,248.90	475.18	—	2,172.81	5,076.09	4,975.42
Previous Year		4,851.36	1,912.69	91.00	6,673.05	384.26	—	1,697.63	4,975.42	3,537.98
CWIP		168.81	—	168.81	—	—	—	—	—	168.81
Intangible assets										
Software	20.00%	3.59	3.93	—	7.52	0.97	—	3.11	4.42	1.46
Total		3.59	3.93	—	7.52	0.97	—	3.11	4.42	1.46
Previous Year		3.22	0.37	—	3.59	0.66	—	2.13	1.46	1.74
GRAND TOTAL		6,676.64	579.78	—	7,256.42	476.15	—	2,175.92	5,080.50	4,976.88
Previous Year		4,854.58	1,913.07	91.00	6,676.64	384.91	—	1,699.77	4,976.88	3,539.72

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 6: INVESTMENTS (AT COST)		
<u>LONG TERM INVESTMENTS: QUOTED</u>		
300 EQUITY SHARES OF ANSAL PROPERTIES & INDUSTRIES LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.24
50 EQUITY SHARES OF CENTURY ENKA LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.25
20 EQUITY SHARES OF GREAVES LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.21
5,000 SHARES OF SANGHI POLYESTER LTD. OF RS.10/- EACH FULLY PAID-UP	—	2.15
1,000 EQUITY SHARES OF HENKAL SPIC INDIA LTD. (FORMERLY SPIC FINE CHEMICALS LTD) OF RS.10/- EACH FULLY PAID-UP	—	0.22
150 SHARES OF ITD CEMENTATION LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.21
17 SHARES OF RELIANCE POWER LTD. OF RS.10/- EACH FULLYPAID-UP	—	0.07
<u>LONG TERM INVESTMENTS UNQUOTED</u>		
SAVITEX SA De C.V., HONDURUS (2700 SHARES OF LEMPS 1000 EACH)	61.40	61.40
<u>INVESTMENT IN SUBSIDIARY UNQUOTED</u>		
SARLA OVERSEAS HOLDINGS LTD. (4,35,000 SHARES OF USD 1.00 EACH)	183.22	183.22
<u>INVESTMENT IN FLAT</u>		
(FLAT IN PUNE)	17.62	17.62
<u>CURRENT INVESTMENTS</u>		
<u>INVESTMENT IN MUTUAL FUNDS</u>		
SBI DEBT FUND SERIES 13 MONTHS -8- INSTITUTIONAL GROWTH 1,000,000 UNITS OF SBI DEBT SERIES RS. 10/- EACH FULLY PAID UP (NAV AS ON 31-03-2009 RS. 10.7035 PER UNIT)	100.00	—
TOTAL	362.24	265.59
SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES		
<u>CURRENT ASSETS</u>		
<u>INVENTORIES:</u>		
(AS TAKEN VALUED AND CERTIFIED BY THE DIRECTORS)		
FINISHED GOODS	743.98	447.48
RAW MATERIALS	1,099.04	1,082.91
WORK IN PROCESS	347.29	351.73
STORES, SPARES, PACKING MATERIAL & OIL ETC.	113.98	287.70
TOTAL	2,304.29	2,169.82

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 8: SUNDRY DEBTORS		
UNSECURED, CONSIDERED GOOD		
OUTSTANDING FOR A PERIOD OVER SIX MONTHS	456.72	343.87
OTHERS	3,160.63	3,096.24
TOTAL	3,617.34	3,440.11
SCHEDULE 9: CASH AND BANK BALANCES		
CASH ON HAND	12.38	10.69
BALANCE WITH THE SCHEDULED BANKS		
IN FIXED DEPOSIT (MARGIN ACCOUNT)	562.82	832.32
IN FOREIGN CURRENCY ACCOUNTS	264.24	3.84
IN CURRENT ACCOUNT	123.71	71.89
TOTAL	963.14	918.74
SCHEDULE 10: LOANS AND ADVANCES		
AMOUNTS RECEIVABLE IN CASH OR KIND OR VALUE TO BE RECEIVED (UNSECURED & CONSIDERED GOOD)	872.26	729.75
LOANS AND ADVANCES - CONSIDERED GOOD	15.60	228.46
DEPOSITS	101.81	1.77
PREPAID EXPENSES	25.03	15.85
ADVANCE PAYMENT OF TAXES (NET OF PROVISION)	240.99	237.83
TOTAL	1,255.69	1,213.66
SCHEDULE 11: CURRENT LIABILITIES		
SUNDRY CREDITORS	1,185.64	393.50
SUNDRY CREDITORS - CAPITAL GOODS	313.63	801.87
OTHER LIABILITIES (UNPAID DIVIDEND AMOUNT IS TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND, WHEN DUE)	222.26	725.44
ADVANCES FROM CUSTOMERS	342.83	158.23
TOTAL	2,064.36	2,079.05
SCHEDULE 12: PROVISIONS		
PROVISION FOR GRATUITY*	6.21	—
PROVISION FOR LEAVE ENCASHMENT*	3.91	—
PROVISION FOR FINAL DIVIDEND	243.26	243.26
PROVISION FOR TAX ON FINAL DIVIDEND	41.34	41.34
TOTAL	294.72	284.60
* Provision for Gratuity for P.Y. Rs. 12.43 Lacs and Provision for Leave Encashment for P.Y. Rs. 1.36 Lacs included in Other Liabilities		

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 13: SALES, SERVICES AND INCENTIVES		
SALES - MANUFACTURING		
DIRECT EXPORTS	7,261.86	7,236.99
DEEMED EXPORTS	4,768.97	4,064.23
LESS: INTERUNIT SALES	3,648.61	3,138.25
	1,120.37	925.98
LOCAL	4,044.83	3,042.45
LESS: EXCISE DUTY	418.79	300.92
	3,626.04	2,741.54
TRADING SALES	149.71	205.22
SALES TAX INCENTIVES	5.77	25.70
TOTAL	12,163.75	11,135.44
SCHEDULE 14: OTHER INCOME		
EXCHANGE RATE DIFFERENCE (NET)	—	49.87
BAD DEBTS RECOVERY	—	5.75
RENT RECEIVED	22.80	7.20
DIVIDEND	0.68	0.01
CAPITAL (LOSS)/GAIN ON SALE OF INVESTMENTS	(4.22)	26.44
MISCELLANEOUS INCOME	1.36	0.09
TOTAL	20.63	89.36
SCHEDULE 15: INCREASE/(DECREASE) IN STOCK		
OPENING STOCK		
SEMI FINISHED GOODS	351.73	303.91
FINISHED GOODS	447.48	480.41
	799.21	784.32
CLOSING STOCK		
SEMI FINISHED GOODS	347.29	351.73
FINISHED GOODS	743.98	447.48
	1,091.27	799.21
INCREASE IN STOCK	292.06	14.89
SCHEDULE 16: MANUFACTURING AND OPERATING EXPENSES		
POWER & FUEL	855.44	680.43
STORES AND SPARES CONSUMED	187.66	79.32
PACKING MATERIALS CONSUMED	608.34	532.35
OIL & CHEMICALS CONSUMED	141.45	137.70
LABOUR CHARGES	419.91	350.29
CLEARING & FORWARDING CHARGES	188.45	247.01
REPAIRS & MAINTENANCE - PLANT & MACHINERY	18.93	25.41

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
REPAIRS & MAINTENANCE - BUILDING	4.53	3.86
CENTRAL EXCISE ON STOCK OF FINISHED GOODS	27.23	(4.18)
WATER, WASTE & EFFLUENT TREATMENT CHARGES	27.42	34.31
TOTAL	2,479.36	2,086.49
SCHEDULE 17: EMPLOYEES REMUNERATION AND BENEFITS		
SALARY, BONUS, GRATUITY, HRA, WAGES ETC.	198.24	142.49
STAFF WELFARE EXPENSES	14.88	20.42
TOTAL	213.12	162.91
SCHEDULE 18: ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
LEGAL AND PROFESSIONAL CHARGES	22.24	27.52
AUDITOR'S REMUNERATION	—	
- AUDIT FEES	3.30	
- TAXATION MATTERS	2.40	
- OTHER CAPACITY/CERTIFICATION CHARGES	1.37	7.07
DIRECTOR'S REMUNERATION	39.50	33.50
POSTAGE, TELEX, FAX AND TELEPHONE CHARGES	32.63	30.80
INSURANCE CHARGES	15.30	24.25
OFFICE EXPENSES	10.52	12.36
PRINTING AND STATIONERY	17.54	10.21
TRAVELING AND CONVEYANCE	39.83	30.28
VEHICLE EXPENSES	44.91	23.94
ADVERTISEMENT	2.98	2.27
SECURITY CHARGES	21.27	18.33
MISCELLANEOUS EXPENSES	7.68	49.00
FEES, RATES AND TAXES	11.01	6.12
DONATION	1.20	10.12
COMMISSION ON SALES	88.87	93.66
FREIGHT AND FORWARDING CHARGES	394.62	441.71
EXCHANGE RATE DIFFERENCE (NET)	298.79	—
BUSINESS PROMOTION EXPENSES	18.68	14.62
REPAIRS AND MAINTENANCE OTHERS	18.73	11.75
TOTAL	1,093.37	843.74
SCHEDULE 19: FINANCE CHARGES		
<u>INTEREST PAID (NET)</u>		
ON TERM LOAN	11.94	-
ON OTHER FACILITIES	204.91	172.26
BANK COMMISSION CHARGES	141.58	80.91
	358.44	253.18
LESS : INTEREST RECEIVED	58.53	64.97
TOTAL	299.91	188.21

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lacs)

	31-03-2009	31-03-2008
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	1,235.97	1,516.68
ADJUSTMENT FOR		
Depreciation	476.15	384.91
Interest Paid	358.44	188.21
Interest Received	(58.53)	—
Capital Gain on Sale of Investment	4.22	(26.44)
Dividend Received	(0.68)	(0.01)
Operating Profit Before Working Capital Changes	2,015.56	2,063.37
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade and Other Receivable	(177.24)	(1,189.47)
Inventories	(134.47)	(503.84)
Loans & Advances	(38.88)	—
Trade and Other Payable	8.64	372.59
Cash Generated from Operations	1,673.62	742.65
Prior Period Expenses	(12.22)	(9.78)
Transition provision of AS - 15 "Employee Benefits"	—	(13.40)
Income Tax Paid	(345.21)	(445.57)
FBT Paid	(4.45)	—
Net Cash Flow from Operating Activities (1)	1,311.74	273.90
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(410.97)	(1,741.56)
Purchase of Investment	(200.00)	318.00
Dividend Received	0.68	0.01
Purchase of Investments	—	(183.59)
Gain on Sale of Investment	—	26.44
Sale of Investment	101.84	—
Interest Received	58.53	64.97
Net Cash Flow from Investing Activities (2)	(449.92)	(1,515.76)
CASH FLOW FROM FINANCING ACTIVITIES		
Preferential Warrants Issued	182.40	—
Net Fund Raised/(Repayment)	(356.78)	1,317.56
Dividend Paid	(243.26)	(208.51)
Dividend Tax Paid	(41.34)	(29.24)
Interest Paid	(358.44)	(253.18)
Net Cash Raised from Financing Activities (3)	(817.42)	826.63
Net Changes in Cash and Cash Equivalent (1+2+3)	44.41	(415.22)
Cash and Cash Equivalent - Opening Balance	918.74	1,333.96
Cash and Cash Equivalent - Closing Balance	963.14	918.74

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

M. B. DESAI
Partner
Membership No. 33978

Place : Mumbai
Date : 30th June, 2009

FOR ON AND BEHALF OF THE BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

ARUN VAID
Director

MANISH AGARWAL
Company Secretary

SCHEDULE 20:
Notes forming part of the accounts for the year ended 31st March, 2009.
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.

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 recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those

liabilities which are likely to materialise after the year end till the finalisation of accounts and having 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 31-03-2009 are calculated at the year end rate and mark to market profit / loss is dealt in the Profit & Loss Account.

REVENUE RECOGNITION:

- A:** Sales are 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 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 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.

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. 2519.16 Lacs (P.Y. Rs. 2282.90 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. 232.11 Lacs (P. Y. Rs. 308.09 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. 1769.90 Lacs (P. Y. Rs. 939.37 Lacs).

D. Bill discounted not matured Rs. 1256.28 Lacs (P. Y. Rs. 1327.39 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. 1332.17 Lacs for which C-Form are yet to be collected from the customers.

B: Estimated amount of contracts remained to be executed on capital account net of advance at the end of the year Rs. 194.33 Lacs (P. Y. Rs. 61.52 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 during the year is provided on pro rata basic 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 also invested in 2,700 shares worth Rs. 61.40 lacs equivalent to US\$ 135000 of M/s. Savitex SA De C.V, Honduras, a joint venture company incorporated at Honduras (Central America). The Company is holding directly 2,700 share & subsidiary of the Company Sarla Overseas Holding Ltd. B.V.I. is holding 13,300 shares out of total capital of 40,000 shares of the said M/s. Savitex SA De C.V, Honduras.

C: No provision is made for the interest of Rs. 7.84 Lacs (P.Y. Rs. 7.84 Lacs) equivalent to USD 0.17 Lacs (P.Y USD 0.20 Lacs) on unsecured loan given to Savitex SA De C.V, Honduras. Hence profit the current year is understand to this extent.

5. i. Quantitative & other information regarding

Capacities		Current Year 31-03-2009	Previous Year 31-03-2008
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.
d) Dyed Synthetics Yarn	Installed Licenced Installed	11,703.20 M.T. 2,400 M.T. 2,400 M.T.	11,464.20 M.T. 2,400 M.T. 2,400 M.T.

ii. Product manufactured and dealt in by the company:

	Current Year	Previous Year
Polyester, Polyamide (Nylon), Texturised, Twisted, Dyed, Medium/High Tenacity Nylon/Flat Yarns, Nylon/ Monofilament Yarns, Polyester/Nylon, Spandex/Lycra Yarn & Dyed Synthetics Yarn - Actual Production *	6814.399 M.T.	6656.682 M.T.
* Net of inter unit transfer 2827.601 M.T.(P.Y. 2618.387 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	276.002	447.480	322.907	480.410
Sales				
a) Export	3691.070	7261.860	4399.068	7236.990
b) Deemed Export	329.501	1120.366	284.566	925.976
c) Local #	2621.597	3626.039	2019.953	2741.530
	6642.168	12008.27	6703.587	10904.50
Closing Stocks	448.230	743.98	276.002	447.480
# Includes waste Production/Sales 187.362 M.T. (P.Y. 226.92 MT)				

iv. Trading Goods

	Current Year				Previous Year		
	Items	Unit	Quantity	Amount (in Lacs)	Items	Quantity	Amount (in Lacs)
i) Purchase	Polypropylene	M.T.	331	142.55	Machines	2	201.01
	Grey Sleeve Yarn	Pcs.	103000	2.60			
				145.16			
ii) Sales	Polypropylene	M.T.	331	146.36	Machines	2	205.22
	Grey Sleeve Yarn	Pcs.	103000	3.35			
				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)	7,004.289	6,229.14	6,863.705	5,597.81
Nylon/Polyester Filament/ Textured/ Twisted/Nylon/Chips/Spandex		304.26		228.46
Rubber/Lycra.				
Dyes & Chemical Consumed				
	7004.289	6,533.40	6863.700	5826.27
of the above	% of Consumption			
	Amount	%	Amount	%
Imported	5,456.02	83.51	3,432.26	58.91
Indigenous	1,077.38	16.49	2,394.01	41.09
	6,533.40	100.00	5,826.27	100.00

7. STORES & SPARES CONSUMED

	% of Consumption		% of Consumption	
	Amount	%	Amount	%
Imported	11.05	5.89	0.00	0.00
Indigenous	176.61	94.11	79.32	100.00
	187.66	100.00	79.32	100.00

8. C.I.F. VALUE OF IMPORTS

	Current Year Amount (in Lacs)	Previous Year Amount (in Lacs)
Capital Goods	121.84	495.55
Raw Materials	5,555.49	4,334.13
Trading Goods	145.15	—
Trading Machinery	—	201.01
Stores, Packing Material & Consumables	83.05	121.62

9. EXPENDITURE IN FOREIGN CURRENCY

Travelling	29.82	18.66
Commission on Exports	82.50	80.54

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

Export (FOB Value)	6,980.04	6,958.97
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11. Managing Director's remuneration is Rs. 22.50 Lacs (P.Y Rs. 19.50 lacs) & the whole time Director's remuneration is Rs. 17.00 Lacs (P.Y. Rs. 14.00 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. 816.45 Lacs (P.Y. Rs. 672.46 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. In accordance with the principles of prudence and other applicable guidelines as per Accounting Standard notified by the Companies (Accounting Standards) Rules, 2006 read with Schedule VI of the Companies Act, 1956 the Company has charged an amount of Rs. 23.69 Lacs to the Profit & Loss Account in respect of derivative contracts outstanding as at 31st March, 2009.

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. 60.76 Lacs (P.Y. Rs. 65.12 Lacs) is charged to profit and loss account.
- 15.** Company has subscribed to employee's group gratuity scheme of Life Insurance Corporation of India for certain employees and amount paid for current year of Rs. 2.14 Lacs (P.Y. Rs. 0.56 Lacs) has been charged to Profit and loss account and for other employee the liability has been valued by the independent valuer and the liability towards gratuity for those employees has been charged to Profit & Loss Account.

RELATED PARTY TRANSACTIONS:

- 16.** The Company has transactions with following related parties:

1) Associate Cos.

- Satidham Industries Pvt. Ltd.
- Sarla Estate Developers Pvt. Ltd.
- M/s. Hindustan Cotton Co.
- M/s. Hindustan Synthetics
- M/s. Shivchandrai Jhunjunwala & Co.
- Technofil Honduras, SA De C.V.

2) Key Management Personnel

- Madhusudan Jhunjunwala - Chairman
- Krishna Jhunjunwala - Managing Director

3) Joint Ventures

- M/s. Savitex SA De C. V., Honduras

4) Subsidiary Company

- M/s. Sarla Overseas Holding Ltd.

Details of transactions with above related parties

	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	—	—	—	—	—	130.66	—	—
Unsecured Loan Received Back	—	—	—	—	130.66	—	—	—
Investment in Share	—	—	—	—	61.40	61.40	—	—
Investment in Subsidiary	—	—	—	—	—	—	183.22	183.22
Unsecured Loan Taken	—	161.10	—	65.00	—	—	—	—
Unsecured Loan Paid	—	85.10	—	71.50	—	—	—	—
Managerial Remuneration	—	—	39.50	33.50	—	—	—	—
Advance Received	—	—	—	—	—	—	—	—
Security Deposit	—	—	—	—	—	—	—	—
Sale of Goods	23.03	—	—	—	—	—	61.32	—
Debtors	23.03	—	—	—	—	—	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, 2009	As at 31st March, 2008	Max Balance during th year
a) Loans & Advances in the nature of Loans			
Savitex SA De C.V., Honduras - Joint-Venture	—	130.66	130.66

17. SEGMENT REPORTING:
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. The Company's business activity falls within a single geographical and business segment (synthetic yarn), hence it has no other primary reportable segments.

b) Secondary Segment (By Geographical demarcation)

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

2) Information about secondary segment are follows:

(Rs. in Lacs)

Particulars	2008-09			2007-08		
	In India	Outside India	Total	In India	Outside India	Total
Segment Revenue (Gross)	4,902	7,262	12,164	3,898	7,237	11,135
Segment Assets	13,583	—	13,583	13,154	—	13,154
Segment Liabilities	6,839	—	6,839	7,140	—	7,140
Capital Expenditure	580	—	580	1,822	—	1,822

18. 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	984,524

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 01-04-2008	2,439,470	136,596	2,237,379	145,490
Interest Cost	195,158	10,928	178,990	11,639
Current Service Cost	240,341	—	189,791	—
Benefit Paid during the year	(19,385)	(57,465)	—	(24,581)
Actuarial (Gain)/Loss on Defined Benefit Obligation	27,882	300,747	(166,690)	4,048
Present value of Defined Benefit Obligation as on 31-03-2009	2,913,466	390,806	2,439,470	136,596
ii) Changes in the Fair Value of Plan Assets				
Fair Value of Plans Assets as on 01-04-2008	1,196,485	—	1,042,011	—
Excess Provision	733,318	—	—	—
Expected Return on Plan Assets for the year ending 31-03-2009	188,441	—	98,767	—
Contribution made by the employer	193,758	—	55,707	—
Benefit paid during the year	(19,385)	—	—	—
Actuarial gain (Loss) on plan assets	—	—	—	—
Fair Value of Plans Assets as on 31-03-2009	2,292,617	—	1,196,485	—
iii) Amount to be recognised in the Balance Sheet as on 31-03-2009				
Present Value of the Defined Gratuity Benefits Obligation 31-03-2009	2,913,466	390,806	2,439,470	136,596
Fair Value of Plans Assets as on 31-03-2009	2,292,617	—	1,196,485	—
Liability Recognised in the Balance Sheet as on 31-03-2009	620,849	390,806	1,242,985	136,596

iv) Expenses recognised in the Statement of Profit and Loss Account

Current Service Cost	270,341	—	189,791	—
Interest Cost on Obligation	195,158	10,928	178,990	11,639
Expected Return on Plan Assets	(188,441)	—	(98,767)	—
Actuarial (Gain)/Loss on Defined Benefit Obligation	27,882	300,747	(166,690)	4,048
Expenses Recognised in the Statement of Profit and Loss Account	304,940	311,675	103,324	15,687

v) Actual Return on Plan Assets

Expected Return on Plan Assets	188,441	—	98,767	—
Actuarial gain (Loss) on Plan Assets	—	—	—	—
Actual Return on Plan Assets	188,441	—	98,767	—

19. 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.

20. 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 has allotted 12,00,000 warrants on 10th April, 2008. Each warrant carries an option/entitlement to subscribe for one equity share of Rs. 10/- each at a premium of Rs. 142/- per share on or before 9th October, 2009. The subscriber to warrant has paid 10% being Rs. 182.40 Lacs on application, which is non-refundable and in case of non-exercise of option to subscribe for equity share the amount of deposits already paid (as stated above) will be forfeited.

21. DERIVATIVE INSTRUMENTS:

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

The forward exchange contracts outstanding as at 31st March, 2009 are as under:

S.N.	Currency Exchange	USD/INR	INR/USD	EURO/USD	CHF/USD	GBP/USD
a	Number of 'Buy' Contracts	18	2	9	1	3
b	Aggregate Currency Amount(in Rs. Lacs)	2,662.80	380.40	1,603.58	126.80	538.11
c	Number of 'Sell' Contracts	—	—	4	1	1
d	Aggregate Currency Amount(in Rs. Lacs)	—	—	1,029.11	126.80	189.71

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

23. 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

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

For ON THE BEHALF OF BOARD OF DIRECTORS
SARLA PERFORMANCE FIBERS LIMITED

M. B. DESAI
Partner

MADHUSUDAN S. JHUNJHUNWALA
Chairman

Membership No. 33978

ARUN VAID
Director

Place : Mumbai
Date : 30th June, 2009

MANISH AGARWAL
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

Registration No.	L31909 DN 1993 PTC 000056	State Code	54
Balance Sheet Date:	31-03-2009		

2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Share Warrants	18,240.00		

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	1,122,413.03	Total Assets	1,122,413.03
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Sources of Funds

Paid up Capital	69,503.00	Share Warrants	18,240.00
Reserves and Surplus	586,683.56	Deferred Tax Liability (Net)	58,306.73
Secured Loans	369,544.75	Unsecured Loans	20,135.00

Application of Funds

Net Fixed Assets (Including intangible assets)	508,050.43	Investments	36,223.97
Net Current Assets	578,138.64	Miscellaneous Expenditure	—
Accumulated Losses	—		

4. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Total Income	1,216,374.90	Total Expenditure	1,124,046.05
Profit Before Tax	123,597.01	Profit After Tax	84,462.92
Profit After Tax & Prior Period Item	83,241.06	Earning Per Share - Basic (Rs.)	12.33
Earning Per Share-Diluted (Rs.)	10.55	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

For ON THE BEHALF OF BOARD OF DIRECTORS
SARLA PERFORMANCE FIBERS LIMITED

M. B. DESAI
Partner

MADHUSUDAN S. JHUNJHUNWALA
Chairman

Membership No. 33978

ARUN VAID
Director

Place : Mumbai
Date : 30th June, 2009

MANISH AGARWAL
Company Secretary

SARLA OVERSEAS HOLDINGS LIMITED

(Registered under the BVI Business Companies Act, 2004, British Virgin Islands)

DIRECTOR'S REPORT

**To,
The Members,**

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of the Company together with statement of Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

During the first year of its operation the Company has earned a profit of Rs. 86.76 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 no stipulated any provision of the statutory audit like the Indian Companies Act, 1956. The Company has prepared its accounts as per the Indian GAAP though the account has not been audited.

INVESTMENT

During the year the Company has invested into the shares of M/s. Savitex, SA De CV, Honduras, a Joint Venture Company in which Sarla Performance Fibers Limited has also invested. The Company has a direct holding of 33.25% shares of M/s. Savitex, SA De CV.

DIRECTOR

Mr. Krishna 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.

Place : **Mumbai**
Date : **30th June, 2009**

For & on behalf of Board of Directors

Krishnakumar M. Jhunjhunwala
Director

SARLA OVERSEAS HOLDINGS LIMITED

(Registered under the BVI Business Companies Act, 2004, British Virgin Islands)

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
SOURCES OF FUNDS:			
SHARE CAPITAL			
ISSUED, SUBSCRIBED AND PAID UP		221.63	174.52
RESERVES & SURPLUS			
OPENING		28.43	
ADDITION DURING THE YEAR		31.17	29.61
FOREIGN CURRENCY RESERVE ACCOUNT		<u>7.24</u>	<u>(1.19)</u>
		66.84	28.43
TOTAL		288.47	202.95
APPLICATION OF FUNDS:			
FIXED ASSETS			
GROSS BLOCK		—	—
LESS: DEPRECIATION		—	—
NET BLOCK		—	—
INVESTMENTS	1	370.69	283.20
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS:			
INVENTORIES		62.78	—
SUNDRY DEBTORS		—	—
CASH AND BANK BALANCE		9.23	0.99
LOANS AND ADVANCES		43.31	30.09
TOTAL		115.32	31.08
LESS: CURRENT LIABILITIES		197.54	112.69
NET CURRENT ASSETS		(82.22)	(81.61)
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		—	1.35
TOTAL		288.47	202.95

For Sarla Overseas Holdings Ltd.

Krishnakumar M. Jhunjunwala
 Director

SARLA OVERSEAS HOLDINGS LIMITED

(Registered under the BVI Business Companies Act, 2004, British Virgin Islands)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
INCOME			
SALES INCOME		155.79	—
OTHER INCOMES		—	29.75
INCREASE/DECREASE IN STOCK		62.78	—
		218.57	29.75
EXPENSES			
COST AND DIRECT EXPENSES		146.62	—
SELLING, GENERAL ADMINISTRATION	2	13.46	—
FINANCE EXPENSES		0.15	0.14
DEPRECIATION		—	—
SHARES OF LOSS IN ASSOCIATE COMPANY		27.17	—
		31.17	29.61
PROFIT			

For Sarla Overseas Holdings Ltd.

Krishnakumar M. Jhunjunwala
Director

SARLA OVERSEAS HOLDINGS LIMITED

(Registered under the BVI Business Companies Act, 2004, British Virgin Islands)

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 1: INVESTMENTS		
INVESTMENT		
13,300 SHARES OF SAVITEX SA DE C.V., HONDURUS	359.65	283.20
750 SHARES IN TECHNOFIL, HONDURUS, SA DE C.V.	38.21	
LESS: DIMINUTION IN VALUE OF INVESTMENTS	27.17	11.04
TOTAL	370.69	283.20
SCHEDULE 2: SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
CONSULTING CHARGES	11.15	—
LEGAL PROFESSIONAL FEES	0.74	—
PRELIVING EXPENSES	1.57	—
TOTAL	13.46	—

SARLA OVERSEAS HOLDINGS LIMITED

(Registered under the BVI Business Companies Act, 2004, British Virgin Islands)

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

1. SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONVENTION:

The Accounts are prepared on accrual basis under the historical cost convention in accordance with accounting standards issued by ICAI.

TAXATION

No provision has been made for Current Tax and 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

Details of transactions with above related parties :

(Rs. in Lacs)

Particulars	Joint Ventures	Holding Co.
	Current Year	Current Year
Investment in Shares of Savitex SA De C.V	359.65	—
Investment by Holding Company	—	183.22

3. 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:** The exchange difference on account of restatement of assets and liabilities has been shown as Foreign currency transaction reserve account in the Balance Sheet as on 31st March, 2009.

4. INVESTMENTS

Long-term investments are stated at cost. Provision for diminution in the value of long -term investment is made incase of associates concerns or, if such a decline is other than temporary in the opinion of management.

For SARLA OVERSEAS HOLDINGS LIMITED

Krishnakumar M. Jhunjhunwala
Director

CONSOLIDATED AUDITORS' REPORT

To,
 The Members of
SARLA PERFORMANCE FIBERS LIMITED
 Nariman Point, Mumbai – 400 021.

- 1) We have audited the attached Consolidated Balance Sheet of **M/s. Sarla Performance Fibers Limited**, Mumbai alongwith its subsidiary and joint venture as at 31st March, 2009 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) The financial statements of subsidiary and joint venture whose statements have been considered for consolidation are not audited by us but certified by the directors of subsidiary and joint venture companies. In our opinion, so far as it relates to the amounts included in respect of a subsidiary and joint ventures, is based solely on the financial statement submitted to us by the directors. The details of assets and revenues in respect of these subsidiary and Joint Venture to the extent to which they reflected in their respective financial statements are given below:

(Rs. in Lacs)

Name of Companies	Total Assets	Total Revenues
<u>Wholly owned subsidiary</u>		
M/s. Sarla Overseas Holding Ltd.	486.00	155.79
<u>Joint Venture</u>		
M/s. Savitex SA De C.V., Honduras.	1,240.36	1,239.25

- 5) We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 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, on the basis of the audited financial statements of **M/s. Sarla Performance Fibers Limited** & unaudited financial statement of its subsidiary **M/s. Sarla Overseas Holding Ltd.**, British Virgin Islands and unaudited financial statement of its jointly controlled entity **M/s. Savitex SA De C.V.**, Honduras.
- 6) On the basis of the information and explanations given to us and based on our audit of the M/s. Sarla Performance Fibers Limited and on consideration of the unaudited individual financial statements of the subsidiary and joint venture included in the consolidated financial statements read together with significant accounting policies and notes thereon, we are of the opinion that the attached Consolidated Financial Statements 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 **M/s. Sarla Performance Fibers Limited**, its subsidiary and joint venture as at 31st March, 2009.
 - b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of **M/s. Sarla Performance Fibers Limited**, its subsidiary and joint ventures for the year then ended; and
 - c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash flows of **M/s. Sarla Performance Fibers Limited**, its subsidiary and joint venture for the year then ended on that date.

For SUNDARLAL, DESAI & KANODIA
 Chartered Accountant

Place: **Mumbai.**
 Date : **30th June, 2009**

Mukul B. DESAI
 Partner
 Membership No. 33978

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
SOURCES OF FUNDS:			
SHARE HOLDERS FUNDS			
SHARE CAPITAL	1	695.03	695.03
SHARE WARRANTS	1A	182.40	—
RESERVES & SURPLUS	2	6,751.78	5,689.57
DEFERED TAX LIABILITY (NET)	3	583.07	522.31
LOAN FUNDS	4	3,896.80	4,253.57
TOTAL		12,109.08	11,160.48
APPLICATION OF FUNDS:			
FIXED ASSETS:			
GROSS BLOCK	5	7,684.88	6,991.84
LESS: DEPRECIATION		2,318.56	1,773.64
NET BLOCK		5,366.31	5,218.20
CAPITAL WORK IN PROGRESS		—	168.81
TOTAL		5,366.31	5,387.01
INVESTMENTS:	6	128.66	20.97
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS:			
INVENTORIES	7	2,919.48	2,404.23
SUNDRY DEBTORS	8	3,756.98	3,563.34
CASH AND BANK BALANCE	9	1,120.12	945.04
LOANS AND ADVANCES	10	1,352.42	1,255.69
		9,149.01	8,168.30
LESS: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES	11	2,240.19	2,172.64
PROVISIONS	12	294.72	284.60
		2,534.91	2,457.24
NET CURRENT ASSETS		6,614.10	5,711.06
MISCELLANEOUS EXPENSES		—	41.45
TOTAL		12,109.08	11,160.48
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 : 30th June, 2009

For and on behalf of Board of Directors
MADHUSUDAN S. JHUNJHUNWALA
 Chairman

ARUN VAID
 Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	Current Year 31-03-2009	Previous Year 31-03-2008
INCOME:			
SALES, SERVICES AND EXPORT INCENTIVES	13	13,977.58	12,533.46
LESS: EXCISE DUTY		418.79	300.92
NET SALES		13,558.80	12,232.54
OTHER INCOME	14	24.77	121.52
INCREASE/(DECREASE) IN STOCK	15	417.72	14.89
		14,001.28	12,368.96
EXPENDITURE:			
RAW MATERIAL CONSUMPTION		7,327.17	6,695.08
MANUFACTURING EXPENSES	16	2,761.83	2,086.49
EMPLOYEES REMUNERATION	17	235.25	162.91
ADMINISTRATIVE AND OTHER EXPENSES	18	1,187.49	937.57
EXCEPTIONAL ITEMS(NET)		—	29.47
FINANCE CHARGES	19	301.21	194.19
DEPRECIATION AND AMORTISATION		524.98	446.99
		12,337.92	10,552.70
PROFIT BEFORE TAXATION:		1,663.36	1,816.26
PROVISION FOR TAXATION			
- CURRENT YEAR TAX		324.17	224.39
- DEFFERED TAX		60.76	65.12
- FRINGE BENEFIT TAX		6.34	5.10
- WEALTH TAX		0.06	—
PROFIT AFTER TAXATION		1,272.02	1,521.65
PRIOR PERIOD ADJUSTMENT		(12.22)	(9.78)
SHARE OF LOSS IN ASSOCIATE COMPANY		(27.17)	—
BALANCE BROUGHT FORWARD		3,434.16	2,549.83
SHORT PROVISION OF INCOME TAX OF EARLIER YEARS		—	33.97
BALANCE AVAILABLE FOR APPROPRIATION		4,666.79	4,027.74
APPROPRIATIONS			
DIVIDEND		243.26	243.26
TAX ON DIVIDEND		41.34	41.34
TRANSFER TO GENERAL RESERVE		300.00	300.00
BALANCE TRANSFERRED TO THE BALANCE SHEET		4,082.19	3,443.13
TOTAL		4,666.79	4,027.74
EARNING PER SHARE BASIC (Before Prior Period)	Rs.	18.30	21.89
EARNING PER SHARE BASIC (After Prior Period)	Rs.	18.13	21.75
NO. OF SHARES USED IN COMPUTING, EARNING PER SHARE	No.	15.51	6,950,300
NOTES TO ACCOUNTS	20	6,950,300	6,950,300

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants
M. B. DESAI
Partner

Membership No. 33978
Place : Mumbai
Date : 30th June, 2009

For and on behalf of Board of Directors
MADHUSUDAN S. JHUNJHUNWALA
Chairman

ARUN VAID
Director

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
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 1A: SHARE WARRANTS		
12,00,000 (P.Y. NIL) 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		
GENERAL RESERVE		
BALANCE AS PER LAST BALANCE SHEET	2,274.38	1,987.78
ADD : TRANSFER FROM PROFIT & LOSS ACCOUNT	300.00	300.00
LESS: TRANSITIONAL EFFECT ON ACCOUNT OF AS-15 (REVISED 2005)EMPLOYEE BENEFIT - REFER NOTE NO.18)	—	13.40
	—	—
	2,574.38	2,274.38
PROFIT AND LOSS ACCOUNT	4,082.19	3,443.13
FOREIGN CURRENCY RESERVE ACCOUNT	95.21	(27.94)
TOTAL	6,751.78	5,689.57
SCHEDULE 3: DEFERRED TAX LIABILITY(NET)		
DEFERRED TAX LIABILITY ARISING ON ACCOUNT OF DEPRECIATION	583.07	521.38
LESS : DEFERRED TAX ASSET ARISING ON ACCOUNT OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT	—	0.93
	583.07	522.31
SCHEDULE 4: LOAN FUNDS		
A) SECURED		
WORKING CAPITAL FROM ANDHRA BANK		
PACKING CREDIT	158.18	199.00
POST SHIPMENT CREDIT	172.60	161.97
FOREIGN DOCUMENTARY BILL PURCHASE	—	392.72
BUYERS CREDIT	92.44	489.65
FROM CITI BANK N.A.		
PACKING CREDIT	1,017.40	1,133.98

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
FOREIGN DOCUMENTARY BILL PURCHASE	704.74	772.66
BUYERS CREDIT	42.78	38.47
FROM CORPORATION BANK		
PACKING CREDIT	—	58.00
FOREIGN DOCUMENTARY BILL PURCHASE	149.07	23.12
BUYERS CREDIT	351.16	166.13
<p>(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)</p>		
FROM STANDARD CHARTERED BANK		
PACKING CREDIT	371.44	—
EXPORT BILL/ POST SHIPMENT CREDIT	402.39	—
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM DBS BANK		
PACKING CREDIT	152.16	—
BUYERS CREDIT	81.09	588.86
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM BARCLAYS BANK		
PACKING CREDIT	—	14.65
FOREIGN DOCUMENTARY BILL PURCHASE	—	115.52
<p>(PERSONAL GUARANTEE OF THE PROMPTER OF THE COMPANY AND POST DATED CHEQUE OF THE PRINCIPLE AMOUNT)</p>		
FROM THE HONG KONG & SHANGAI BANKING CORP. LTD		
FOREIGN DOCUMENTARY BILL PURCHASE	—	23.37
<p>(SECURED AGAINST FOREIGN DOCUMENTARY DEMAND BILLS AND PERSONAL GUARANTEE BY ONE OF THE DIRECTORS)</p>		
	3,695.45	4,178.10
B) UNSECURED		
TERM LOAN FROM ICICI BANK LTD.	129.35	—
FROM DIRECTORS/OTHERS	—	3.47
FROM BODY CORPORATE	72.00	72.00
	201.35	75.47
TOTAL (A+B)	3,896.80	4,253.57

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule 5: Fixed Assets

Particulars	Rate (%)	Gross Block				Depreciation				Net Block		
		As on 01-04-2008	Variation in Opening Due to Foreign Exchange	Addition during the year	Deduction during the year	As on 31-03-2009	Variation in Opening Due to Foreign Exchange	During the Period	Deduction	Upto 31-03-2009	As on 31-03-2009	As on 31-03-2008
Land	0	76.73	0.00	14.45	0.00	91.18	0.00	0.00	0.00	0.00	91.18	76.73
Building	3.34%	853.18	0.00	157.92	0.00	1,011.10	0.00	31.22	0.00	146.78	864.32	737.62
Plants & Machinery	7.42%	5,576.71	71.64	342.21	0.00	5,990.56	17.08	444.90	0.00	1,956.94	4,033.62	4,081.75
Electric Installation	7.42%	260.00	0.00	57.84	0.00	317.84	0.00	21.51	0.00	100.42	217.42	181.09
Office Equipments	4.75%	17.74	0.00	3.85	0.00	21.59	0.00	0.97	0.00	6.86	14.73	11.86
Computer	16.21%	41.05	0.00	4.58	0.00	45.63	0.00	6.80	0.00	41.33	4.30	6.51
Other Fixed Assets	7.42%	58.70	3.26	7.04	0.00	69.00	0.61	6.82	0.00	18.20	50.80	47.94
Motor Car	9.50%	51.45	1.74	10.41	0.00	63.60	0.15	5.50	0.00	23.18	40.42	33.91
Furniture & Fixture	6.33%	52.69	8.45	5.71	0.00	66.85	2.11	6.27	0.00	21.75	45.11	39.32
Total		6,988.25	85.09	604.02	0.00	7,677.36	19.94	524.00	0.00	2,315.46	5,361.90	5,216.74
Previous Year		4,851.36	0.00	2,136.89	0.00	6,988.25	0.00	458.14	0.00	1,771.52	5,216.74	3,537.98
CWIP		168.81	0.00	0.00	168.81	0.00	0.00	0.00	0.00	0.00	0.00	168.81
Intangible assets												
Software	20.00%	3.59	0.00	3.93	0.00	7.52	0.00	0.97	0.00	3.11	4.42	1.46
Previous Year		3.59	0.00	3.93	0.00	7.52	0.00	0.97	0.00	3.11	4.42	1.46
GRAND TOTAL		6,991.84	85.09	607.95	0.00	7,684.88	19.94	524.98	0.00	2,318.56	5,366.31	5,218.20
Previous Year		4,854.58	0.00	2,137.26	0.00	6,991.84	0.00	458.79	0.00	1,773.64	5,218.40	3,539.72

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 6: INVESTMENTS (AT COST)		
<u>LONG TERM INVESTMENTS: QUOTED</u>		
300 EQUITY SHARES OF ANSAL PROPERTIES & INDUSTRIES LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.24
50 EQUITY SHARES OF CENTURY ENKA LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.25
20 EQUITY SHARES OF GREAVES LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.21
5,000 SHARES OF SANGHI POLYESTER LTD. OF RS.10/- EACH FULLY PAID-UP	—	2.15
1,000 EQUITY SHARES OF HENKAL SPIC INDIA LTD. (FORMERLY SPIC FINE CHEMICALS LTD) OF RS.10/- EACH FULLY PAID-UP	—	0.22
150 SHARES OF ITD CEMENTATION LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.21
17 SHARES OF RELIANCE POWER LTD. OF RS.10/- EACH FULLY PAID-UP	—	0.07
<u>LONG TERM INVESTMENTS</u>		
SAVITEX HONDURUS (2700 SHARES OF LEMPS 1000 EACH)	—	—
TECHNOFIL, HONDURAS	38.21	—
LESS: NET DEPRECIATION IN INVESTMENTS IN ASSOCIATE UNDER EQUITY METHOD	(27.17)	—
	11.04	—
<u>INVESTMENT IN SUBSIDIARY UNQUOTED</u>		
SARLA OVERSEAS HOLDINGS LTD. (4,35,000 SHARES OF USD 1.00 EACH)	—	—
<u>INVESTMENT IN FLAT</u>		
(FLAT IN PUNE)	17.62	17.62
<u>CURRENT INVESTMENTS</u>		
<u>INVESTMENT IN MUTUAL FUNDS</u>		
SBI DEBT FUND SERIES 13 MONTHS -8- INSTITUTIONAL GROWTH 1,000,000 UNITS OF SBI DEBT SERIES RS. 10/- EACH FULLY PAID UP (NAV AS ON 31-03-2009 RS. 10.7035 PER UNIT)	100.00	—
TOTAL	128.66	20.97
SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES		
<u>CURRENT ASSETS</u>		
<u>INVENTORIES:</u>		
(AS TAKEN VALUED AND CERTIFIED BY THE DIRECTORS)		
FINISHED GOODS	932.26	545.08
RAW MATERIALS	1,396.89	1,161.00
WORK IN PROCESS	401.74	399.88
STORES, SPARES, PACKING MATERIAL & OIL ETC.	188.59	298.27
TOTAL	2,919.48	2,404.23

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 8: SUNDRY DEBTORS		
UNSECURED, CONSIDERED GOOD		
OUTSTANDING FOR A PERIOD OVER SIX MONTHS	456.72	343.87
OTHERS	3,300.26	3,219.47
TOTAL	3,756.98	3,563.34
SCHEDULE 9: CASH AND BANK BALANCES		
CASH ON HAND	12.49	10.73
BALANCE WITH THE SCHEDULED BANKS		
IN FIXED DEPOSIT (MARGIN ACCOUNT)	562.82	832.32
IN FOREIGN CURRENCY ACCOUNTS	264.24	3.84
IN CURRENT ACCOUNT	280.58	98.15
TOTAL	1,120.12	945.04
SCHEDULE 10: LOANS AND ADVANCES		
AMOUNTS RECEIVABLE IN CASH OR KIND OR VALUE TO BE RECEIVED (UNSECURED & CONSIDERED GOOD)	925.69	771.78
LOANS AND ADVANCES - CONSIDERED GOOD	58.91	228.46
DEPOSITS	101.81	1.77
PREPAID EXPENSES	25.03	15.85
ADVANCE PAYMENT OF INCOME TAXES FBT (NET OF PROVISION)	240.99	237.83
TOTAL	1,352.42	1,255.69
SCHEDULE 11: CURRENT LIABILITIES		
SUNDRY CREDITORS	1,310.65	487.09
SUNDRY CREDITORS - CAPITAL GOODS	313.63	801.87
OTHER LIABILITIES (UNPAID DIVIDEND AMOUNT IS TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND, WHEN DUE)	273.08	725.44
ADVANCES FROM CUSTOMERS	342.83	158.23
TOTAL	2,240.19	2,172.64
SCHEDULE 12: PROVISIONS		
PROVISION FOR GRATUITY	6.21	—
PROVISION FOR LEAVE ENCASHMENT	3.91	—
PROVISION FOR FINAL DIVIDEND	243.26	243.26
PROVISION FOR TAX ON FINAL DIVIDEND	41.34	41.34
TOTAL	294.72	284.60
* Provision for Gratuity for P.Y. Rs. 12.43 Lacs and Provision for Leave Encashment for P.Y. Rs. 1.36 Lacs included in Other Liabilities		

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
SCHEDULE 13: SALES, SERVICES AND INCENTIVES		
SALES - MANUFACTURING		
DIRECT EXPORTS	8,501.11	8,334.10
DEEMED EXPORTS	4,768.97	4,064.23
LESS: INTERUNIT SALES	3,648.61	3,138.25
	1,120.37	925.98
LOCAL	4,044.83	3,042.45
LESS: EXCISE DUTY	418.79	300.92
	3,626.04	2,741.54
TRADING SALES	305.50	205.22
SALES TAX INCENTIVES	5.77	25.70
TOTAL	13,558.80	12,232.54
SCHEDULE 14: OTHER INCOME		
EXCHANGE RATE DIFFERENCE (NET)	—	49.87
BAD DEBTS RECOVERY	—	5.75
RENT RECEIVED	22.80	7.20
DIVIDEND	0.68	0.01
CAPITAL (LOSS)/GAIN ON SALE OF INVESTMENTS	(4.22)	26.44
MISCELLANEOUS INCOME	5.50	32.25
TOTAL	24.77	121.52
SCHEDULE 15: INCREASE/(DECREASE) IN STOCK		
OPENING STOCK		
SEMI FINISHED GOODS	450.15	303.91
FINISHED GOODS	466.13	480.41
	916.28	784.32
CLOSING STOCK		
SEMI FINISHED GOODS	472.79	351.73
FINISHED GOODS	861.22	447.48
	1,334.00	799.21
INCREASE IN STOCK	417.72	14.89
SCHEDULE 16: MANUFACTURING AND OPERATING EXPENSES		
POWER & FUEL	855.44	680.43
STORES AND SPARES CONSUMED	187.66	79.32
PACKING MATERIALS CONSUMED	608.34	532.35
OIL & CHEMICALS CONSUMED	141.45	137.70
LABOUR CHARGES	419.91	350.29
CLEARING & FORWARDING CHARGES	188.45	247.01
REPAIRS & MAINTENANCE - PLANT & MACHINERY	18.93	25.41
REPAIRS & MAINTENANCE - BUILDING	4.53	3.86
CENTRAL EXCISE ON STOCK OF FINISHED GOODS	27.23	(4.18)

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
WATER, WASTE & EFFLUENT TREATMENT CHARGES	27.42	34.31
DIRECT / OTHER MANUFACTURING EXPENSES	282.47	—
TOTAL	2,761.83	2,086.49
SCHEDULE 17: EMPLOYEES REMUNERATION AND BENEFITS		
SALARY, BONUS, GRATUITY, HRA, WAGES ETC.	218.67	142.49
STAFF WELFARE EXPENSES	16.58	20.42
TOTAL	235.25	162.91
SCHEDULE 18: ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
LEGAL AND PROFESSIONAL CHARGES	55.72	51.81
AUDITOR'S REMUNERATION		
- AUDIT FEES	3.30	—
- TAXATION MATTERS	2.40	—
- OTHER CAPACITY/CERTIFICATION CHARGES	1.37	3.30
DIRECTOR'S REMUNERATION	39.50	33.50
POSTAGE, TELEX, FAX AND TELEPHONE CHARGES	33.75	32.45
INSURANCE CHARGES	17.69	27.00
OFFICE EXPENSES	22.45	13.36
PRINTING AND STATIONERY	17.89	10.21
TRAVELING AND CONVEYANCE	53.51	38.30
VEHICLE EXPENSES	47.32	24.30
ADVERTISEMENT	3.78	9.40
SECURITY CHARGES	21.77	18.56
MISCELLANEOUS EXPENSES	18.40	79.05
FEES, RATES AND TAXES	18.25	12.08
DONATION	1.29	10.12
COMMISSION ON SALES	89.28	94.45
FREIGHT AND FORWARDING CHARGES	401.24	447.55
EXCHANGE RATE DIFFERENCE (NET)	300.58	—
BUSINESS PROMOTION EXPENSES	18.68	14.62
REPAIRS AND MAINTENANCE OTHERS	18.87	17.52
TOTAL	1,187.49	937.57
SCHEDULE 19: FINANCE CHARGES		
INTEREST PAID (NET)	11.94	—
ON TERM LOAN	204.91	174.84
ON OTHER FACILITIES	142.89	84.32
BANK COMMISSION CHARGES	359.74	259.16
	58.53	64.97
LESS : INTEREST RECEIVED		
TOTAL	301.21	194.19

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lacs)

	Current Year 31-03-2009	Previous Year 31-03-2008
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	1,663.36	1,816.26
ADJUSTMENT FOR		
Depreciation	524.98	446.99
Interest Paid	359.74	194.19
Interest Received	(58.53)	—
Capital Gain on Sale of Investment	4.22	(26.44)
Dividend Received	(0.68)	(0.01)
	829.73	614.76
Operating Profit Before Working Capital Changes	2,493.08	2,431.02
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade and Other Receivable	(193.64)	(1,354.74)
Inventories	(515.25)	(738.25)
Loans & Advances	(93.58)	
Trade and Other Payable	91.34	466.18
	(711.13)	(1,626.81)
Cash Generated from Operations	1,781.96	804.21
Prior Period Expenses	(12.22)	(9.78)
Transition provision of AS - 15 "Employee Benefits"	—	(13.40)
Income Tax Paid	(345.21)	(445.57)
FBT Paid	(4.45)	
	(361.88)	
Net Cash Flow from Operating Activities (1)	1,420.08	335.46
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(524.23)	(2,045.01)
Purchase of Investment	(238.21)	(183.59)
Increase in Share Capital of Subsidiary	—	183.22
Dividend Received	0.68	(0.01)
Sale of Investment	101.84	318.00
Capital Gain on Sale of Investment	—	26.44
Foreign Exchange Reserve	95.21	(27.94)
Interest Received	58.53	64.97
	(506.18)	(1,663.93)
Net Cash Flow from Investing Activities (2)	(506.18)	(1,663.93)
Net Cash Flow on Consolidation	79.90	118.90
CASH FLOW FROM FINANCING ACTIVITIES		
Preferential Warrants Issued	182.40	—
Net Fund Raised/(Repayment)	(356.78)	1,317.56
Dividend Paid & Dividend Tax Paid	(243.26)	(208.51)
Dividend Tax Paid	(41.34)	(29.24)
Interest Paid	(359.74)	(259.16)
	(818.72)	820.65
Net Cash Raised from Financing Activities (3)	(818.72)	820.65
Net Changes in Cash and Cash Equivalent (1+2+3)	175.08	(388.93)
Cash and Cash Equivalent - Opening Balance	945.04	1,333.96
Cash and Cash Equivalent - Closing Balance	1,120.12	945.04

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

For ON THE BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

M. B. DESAI
Partner
Membership No. 33978

ARUN VAID
Director

Place : Mumbai
Date : 30th June, 2009

1. SCHEDULE 20:

Notes forming part of the accounts for the year ended 31st March, 2009.

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 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 33.25% of Joint Venture M/s. Savitex SA De C.V., Honduras. Parents company's share of 6.75% in Joint Venture M/s. Savitex SA De C.V., Honduras has been considered for consolidated financial statement.

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.

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:

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

C: 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:

A: 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.

B: 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.

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 relevant assessment year and in case of foreign subsidiary and Joint Venture as per applicable foreign tax laws of the states.

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 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 issued by Banks on behalf of the Company Rs. 2,519.16 Lacs (Previous Year Rs. 2,282.90 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. Bank Guarantees issued by Banks on behalf of the Company Rs. 232.11 Lacs (Previous Year Rs. 308.09 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. 1,769.60 Lacs. (Previous Year Rs. 939.37 Lacs).

d. Bill discounted not matured Rs. 1,256.28 Lacs (Previous Year Rs. 1,327.39 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. 1,332.17 Lacs for which C-Form are yet to be collected from the costumers.

B: Estimated amount of contracts remained to be executed on capital account net of advance at the end of the year Rs. 194.33 Lacs (Previous Year Rs. 61.52 Lacs).

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 also invested in 2,700 shares worth Rs. 61.40 lacs equivalent to USD 1,35,000 of M/s. Savitex SA De C.V., Honduras, a joint venture company incorporated at Honduras (Central America). The Company is holding directly 2,700 share & subsidiary of the Company Sarla Overseas Holding Ltd. B.V.I. is holding 13,300 shares out of total capital of 40,000 shares of the said M/s. Savitex SA De C.V., Honduras.
- C:** No provision is made for the interest on unsecured loan of Rs. 130.66 Lacs by Parent Company to Savitex SA De C.V., Honduras, has been made either by the parent company or joint venture Savitex SA De C.V.
- 4.** Managing Director's remuneration is Rs. 22.50 Lacs (Previous Year Rs. 19.50 Lacs) & the whole time Director's remuneration is Rs. 17.00 Lacs (Previous Year Rs. 14.00 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. 816.45 Lacs (Previous Year Rs. 672.46 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.** In accordance with the principles of prudence and other applicable guidelines as per Accounting Standard notified by the Companies (Accounting Standards) Rules, 2006 read with Schedule VI of the Companies Act, 1956 the Company has charged an amount of Rs. 23.69 Lacs to the Profit & Loss Account in respect of derivative contracts outstanding as at 31st March, 2009.

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., Honduras

4) Subsidiary Company

a) M/s. Sarla Overseas Holding Ltd.

Details of transactions with above related parties

	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	—	—	—	—	—	130.66	—	—
Unsecured Loan Received Back	—	—	—	—	130.66	—	—	—
Investment in Share	38.21	—	—	—	61.40	61.40	—	—
Investment in Subsidiary	—	—	—	—	—	—	183.22	183.22
Unsecured Loan Taken	—	161.10	—	65.00	—	—	—	—
Unsecured Loan Paid	—	85.10	—	71.50	—	—	—	—
Managerial Remuneration	—	—	39.50	33.50	—	—	—	—
Advance Received	—	—	—	—	—	—	—	—
Security Deposit	—	—	—	—	—	—	—	—
Sale of Goods	23.03	—	—	—	—	—	61.32	—
Debtors	23.03	—	—	—	—	—	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. 60.76 Lacs (P.Y. Rs. 65.12 Lacs) is charged to profit and loss account. Deferred Tax Asset/ Liability has not been created for Foreign, Subsidiary & Joint Venture.

9. Previous years figure have been regrouped/rearranged wherever necessary

10. 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 the annexure.

SIGNATURES TO SCHEDULES 1 TO 20

For SUNDARLAL, DESAI & KANODIA

Chartered Accountants

M. B. DESAI

Partner

Membership No. 33978

Place : Mumbai

Date : 30th June, 2009

For ON THE BEHALF OF BOARD OF DIRECTORS
SARLA PERFORMANCE FIBERS LIMITED
MADHUSUDAN S. JHUNJHUNWALA

Chairman

ARUN VAID

Director

CONSOLIDATED BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

Registration No.	L31909 DN 1993 PTC 000056	State Code	54
Balance Sheet Date:	31-03-2009		

2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Share Warrants	18,240.00		

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	1,210,907.65	Total Assets	1,210,907.65
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Sources of Funds

Paid up Capital	69,503.00	Share Warrants	18,240.00
Reserves and Surplus	675,178.17	Deferred Tax Liability (Net)	58,306.73
Secured Loans	369,544.75	Unsecured Loans	20,135.00

Application of Funds

Net Fixed Assets (Including intangible assets)	536,631.45	Investments	12,866.12
Net Current Assets	661,410.07	Miscellaneous Expenditure	—
Accumulated Losses	—		

4. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Total Income	1,400,128.33	Total Expenditure	1,233,792.40
Profit Before Tax	166,335.93	Profit After Tax	127,201.84
Profit After Tax & Prior Period Item	123,236.09	Earning Per Share - Basic (Rs.)	18.13
Earning Per Share-Diluted (Rs.)	15.51	Dividend Rate (%)	

5. GENERIC NAMES OF THREE 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 : 30th June, 2009

For ON THE BEHALF OF BOARD OF DIRECTORS

SARLA PERFORMANCE FIBERS LIMITED

MADHUSUDAN S. JHUNJHUNWALA

Chairman

ARUN VAID

Director

NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the Members of SARLA PERFORMANCE FIBERS LIMITED will be held on Tuesday, the 29th September, 2009 at the Registered office of the Company at survey No.59/1/4, Amli Piparia Industrial Estate, Silvassa – 396 230, U.T. of Dadra & Nagar Haveli, at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2009 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. Jigar Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

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 Friday, the 25th September 2009 to Tuesday, the 29th September, 2009 (both days inclusive) for determining the names of members eligible for dividend, if approved, on Equity Shares for the year ended 31st March 2009. The dividend if declared at the Annual General Meeting will be paid on or before 29th October, 2009, 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 24th September 2009 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 24th September 2009.
4. **Details of Director seeking reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement):**

Name of Director	Mr. Jigar Arvind Shah
Date of Birth	8th June, 1974
Date of Appointment	1st July, 2006
Expertise in specific functional areas	Financial Analysis and Fund Management.
Qualifications	B.Com, DCP.
List of Public Companies in which outside Directorships held as on 31st March, 2009	NIL
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31st March, 2009	NIL
No. of Equity Shares held in the Company as on 31st March, 2009.	NIL

For and on behalf of Board of Directors

Place : Mumbai
Date : 31st July, 2009

(Mr. Madhusudan Jhunjunwala)
Chairman & Whole-time Director

NOTES

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NOTES

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SARLA PERFORMANCE FIBERS LIMITED

Registered Office: Survey No. 59/1/4, Amlī Pipariā 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
Sixteenth Annual General Meeting of the Company to be held on Tuesday, the 29th September, 2009 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, Amlī Pipariā 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 **Sixteenth Annual General Meeting** of the Company at the Registered Office situated at 59/1/4, Amlī Pipariā Industrial Estate, Silvassa - 396 230 U.T. of Dadra & Nagar Haveli, on Tuesday, the 29th September, 2009 at 11.30 a.m.

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

Regd. Folio No.

*DP ID

*Client ID

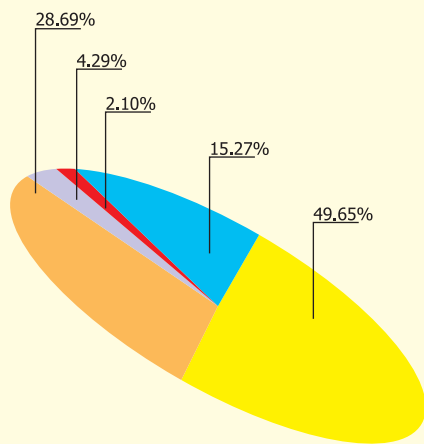
No. of Share Hold

Signature of Shareholder



(PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING)

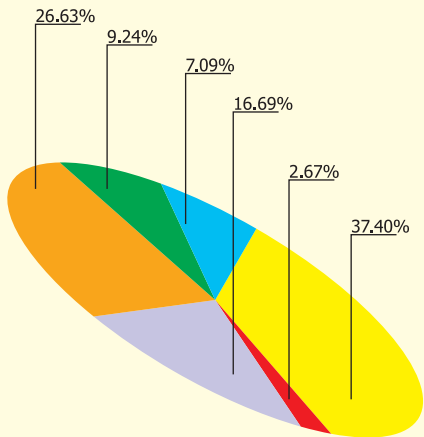
*Applicable for members holding shares in dematerialised form.



SOURCES OF FUNDS 2008 - 2009

(Rs. in Lacs)

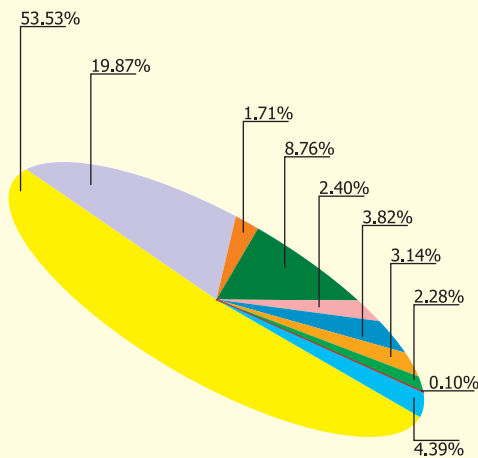
Money Borrowed from Bank and Others	3,896.80
Payable for Goods and Other Liabilities	2,074.48
Proposed Dividend	284.60
Deferred Tax Liability	583.07
Share Holders Funds	6,744.27
	<u>13,583.21</u>



APPLICATIONS OF FUNDS 2008 - 2009

(Rs. in Lacs)

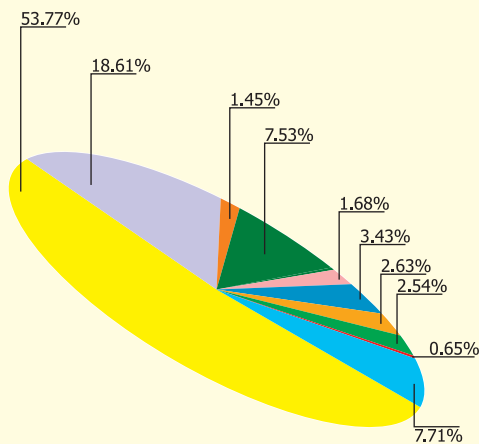
Fixed Assets	5,080.50
Inventories	2,304.29
Investments	362.24
Receivables	3,617.34
Loans and Advances	1,255.69
Cash and Bank Balances	963.14
	<u>13,583.21</u>



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 AND 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>



DISTRIBUTION OF REVENUE 2007-2008

(Rs. in Lacs)

MATERIAL	6,027.28
MANUFACTURING EXPENSES	2,086.49
EMPLOYEE REMUNERATION & BENEFITS	162.91
ADMINISTRATIVE & OTHER EXPENSES	843.74
INTEREST AND FINANCE CHARGES	188.21
DEPRECIATION	384.91
TAX	294.61
DIVIDED (INCLUDING TAX)	284.60
OTHERS	73.22
RETAINED EARNINGS	864.25
	<u>11,210.22</u>



Registered Office:

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

Corporate Office:

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Phone No: + 91-22-22834116
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