CNK & Associates LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Sarlaflex, Inc.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Sarlaflex, Inc. ("the Holding Company") and its subsidiaries listed in Annexure A (the Holding Company and Subsidiaries together referred to as "the Group"), which comprise the consolidated Balance Sheet as at 31st March 2020, the consolidated statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of Changes in Equity and the consolidated Cash Flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid consolidated financial statements give the information in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (consolidated financial position) of the Group as at 31st March, 2020, of the consolidated loss and consolidated total comprehensive loss (consolidated financial performance), consolidated changes in equity and its consolidated cash flows for the year ended on that date. The financial statements are in all material respects compatible with Ind AS and same is fit for consolidation.

Basis for Qualified Opinion

The Group is having total assets of Rs.16,070 lakhs has suspended manufacturing operations since December, 2017 and has a negative net worth as on 31st March, 2020. These conditions raise substantial doubt about its ability to continue as a going concern.

In the absence of any impairment testing by management for these assets during the year, we are unable to comment on the impact, if any, on the total comprehensive income and retained earnings in the consolidated financial statements.

Our report for the previous year was also qualified in respect of the above matter.

SARLAFLEX, LLC *

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) generally accepted in India. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of consolidated financial statements under the provisions of the Act and the Rules made thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Qualified opinion on consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Except for the matter described in the Basis for Qualified Opinion, we have determined that there are no other key audit matters to communicate in our report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Board's Report including Annexures to Board's Report, but does not include the consolidated financial statements and our auditor's report thereon. The above reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors are responsible for the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total Comprehensive Income, consolidated changes in equity and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. The Board of Directors of the Holding Company is responsible for maintenance of the adequate accounting records for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the Holding Company's Management and Board of Directors are responsible for assessing the ability of Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Holding Company's Board of Directors are also responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and also to express an opinion whether they are fit for consolidation as per Indian Accounting Standards ('Ind AS').

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial information of such entities included in the consolidated financial statements, of which we are independent auditors.

We communicate with those charged with governance of the Holding Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For C N K & Associates LLP
Chartered Accountants
Firm Registration Number: 101961W/W-100036

Himanshu Kishnadwala
Partner
Membership No.: 37391
UDIN: 20037391AAAADO2851

Place: Mumbai
Date: 22nd July, 2020

Annexure A to the Audit Report:

Subsidiaries (held directly)

a. Sarlaflex LLC
b. Sarla Estate LLC
c. Sarla Leverage Lender LLC

Sarlaflex, Inc.
Consolidated Balance Sheet as at 31st March, 2020

Amount in INR

	Particulars	Note No	As at 31st March, 2020	As at 31st March 2019
I	**ASSETS**			
(1)	**Non-current assets**			
	(a) Property, Plant and Equipment	3	442,320,025	479,349,460
	(b) Financial Assets			
	(i) Investments	4	687,852,630	631,101,[illegible]
	(ii) Loans	5	57,106,025	47,807,054
	(c) Deferred Tax Assets (net)	6	35,734,860	32,790,980
	(d) Other non-current assets	7	247,157,774	190,337,088
	Total Non-Current Assets		**1,470,171,312**	**1,385,381,904**
(2)	**Current assets**			
	(a) Inventories	8	126,540,825	116,100,662
	(b) Financial Assets			
	(i) Cash and cash equivalents	9	6,442,125	17,496,226
	(c) Other current assets	10	3,398,723	4,686,075
	Total Current Assets		**136,371,674**	**138,282,963**
	Total Assets		**1,607,042,986**	**1,523,664,867**
II	**EQUITY AND LIABILITIES**			
	Equity			
	(a) Equity Share capital	11	59,649,740	59,649,740
	(b) Other Equity	12	(147,249,396)	(833,908,593)
	Equity attributable to equity share holders		(87,599,656)	(774,258,853)
	Non-controlling interests	13	2,156,301	1,665,800
	Total equity		**(85,443,355)**	**(772,593,053)**
	Liabilities			
(1)	**Non-current liabilities**			
	(a) Financial Liabilities			
	(i) Borrowings	14	1,684,093,107	2,278,073,486
	(ii) Other financial liability	15		7,839,244
	Total Non-Current Liabilities		**1,684,093,107**	**2,285,912,730**
(2)	**Current liabilities**			
	(a) Other current liabilities	16	8,393,234	10,345,190
	Total Current Liabilities		**8,393,234**	**10,345,190**
	Total Equity and Liabilities		**1,607,042,986**	**1,523,664,867**

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No.: 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

Place: Mumbai
Date: 22nd July, 2020

[illegible], Inc.

Consolidated Statement of profit and loss for the year ended 31st March, 2020

Amount in INR

	Particulars	Note No.	For the year ended 31st March, 2020	For the year ended 31st March, 2019
I	Revenue from Operations	17	505,520	-
II	Other income	18	37,933,696	37,401,393
III	TOTAL INCOME (I+II)		38,557,216	37,401,395
IV	Expenses			
	a) Cost of materials consumed	19	(2,802,743)	(7,863,651)
	b) Changes in inventories of finished goods and work-in-progress	20	(0,678,664)	(0,424,549)
	c) Employee benefits expense	21	8,066,545	8,353,017
	d) Finance costs	22	9,490,059	8,003,418
	e) Depreciation and amortisation expense	23	75,390,254	75,599,615
	f) Other expenses	24	14,059,387	45,160,739
	TOTAL EXPENSES (a to f)		97,393,834	113,616,589
V	Profit/ (Loss) before tax (III - IV)		(58,836,618)	(76,214,696)
VI	Tax expense:			
	(1) Current tax			
	(2) Deferred tax			
VII	Profit (Loss) for the period from continuing operations (V-VI)		(58,836,618)	(76,214,696)
VIII	Other Comprehensive Income			
A	Items that will not be reclassified to profit or loss			
	Remeasurement of defined benefit plan		-	-
	Income tax relating to items that will not be reclassified to profit or loss		-	-
	Total (A)		-	-
B	Items that will be reclassified to profit or loss			
	Foreign currency translation difference		(36,498,686)	(46,700,344)
	Income tax relating to items that will be reclassified to profit or loss		-	-
	Total (B)		(36,498,686)	(46,700,344)
	Total Other Comprehensive Income for the period (A+B)		(36,498,686)	(46,700,344)
IX	Total Comprehensive Income for the period (VII-VIII)		(95,335,304)	(122,925,039)
X	Profit attributable to:			
	Owners of the Company		(59,358,671)	(76,532,268)
	Non-Controlling Interest		522,055	317,572
XI	Other Comprehensive Income attributable to:			
	Owners of the Company		(36,657,183)	(40,776,585)
	Non-Controlling Interest		158,497	76,241
XII	Total Comprehensive Income attributable to:			
	Owners of the Company		(95,825,854)	(123,308,854)
	Non Controlling Interest		480,972	393,753
XIII	Earnings per equity share	25		
	- Basic and Diluted (Face value Re. 1)		(59.63)	(77.38)

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
CAI FR No.: 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Place: Mumbai
Date: 27th July, 2020

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

Sterlite Inc

Consolidated Statement of cash flows for the year ended 31st March, 2020

Amounts in INR

	Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
A	Cash flow from operating activities		
	Profit before tax	(58,456,315)	(76,274,090)
	Adjustments for:		
	Finance costs	9,390,059	8,009,438
	Depreciation and amortisation	75,340,254	75,548,025
	Unrealised Foreign Exchange Gain/Loss (Net)	(39,446,986)	(48,657,364)
	Operating profit before working capital changes	(13,553,272)	(41,273,627)
	Movements in working capital:		
	Adjustments for (increase)/decrease in operating assets:		
	Inventories	(10,440,164)	(6,592,135)
	Trade receivables	-	39,591,369
	Other current assets	1,707,354	(3,135,257)
	Adjustments for increase/(decrease) in operating liabilities:		
	Trade payables	-	(13,153,065)
	Other financial liabilities	(7,835,244)	(6,915,137)
	Borrowings	-	(150,090,000)
	Other current liabilities	(2,351,956)	(28,543,366)
	Cash generated from operations	(32,467,282)	(208,871,321)
	Direct taxes paid (net)	-	-
	Net cash generated from operating activities (A)	(32,467,282)	(208,871,321)
B	Cash flows from investing activities		
	Payment for property, plant and equipment	(38,310,615)	(33,867,326)
	Proceeds from sale of investments	(56,750,807)	(11,681,405)
	Loans given	(4,398,972)	5,925,733
	Other non current assets	(57,620,696)	(40,409,870)
	Non current loans		
	Net cash (used in) investing activities (B)	(157,184,581)	(109,093,088)
C	Cash flow from financing activities		
	Proceeds from borrowings	188,504,621	316,858,421
	Finance Costs	(9,390,059)	(8,009,438)
	Net cash (used in) financing activities (C)	179,114,562	308,859,005
	NET INCREASE IN CASH AND CASH EQUIVALENTS [(A) + (B) + (C)]	(10,554,801)	(9,046,404)
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	Balances with banks in current accounts, earmarked balances and deposit accounts	17,300,450	26,417,010
	Cash on hand	175,780	115,619
	CASH AND CASH EQUIVALENTS AS PER NOTE 9	17,486,226	26,532,629
	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	Balances with banks in current accounts, earmarked balances and deposit accounts	6,796,374	17,300,450
	Cash on hand	135,851	185,776
	CASH AND CASH EQUIVALENTS AS PER NOTE 9	6,932,225	17,486,226

Explanatory notes to Statement of Cash Flows:

1. Cash Flow Statement has been prepared under the indirect method as set out in Ind AS 7 prescribed under the Companies Act (Indian Accounting Standard) Rules, 2015 under the Companies Act, 2013.
2. In Part A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part B and Part C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. Current Liabilities and Payables may include Payables in respect of Purchase of Property, Plant and Equipment, if any.

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No.: 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Place: Mumbai
Date: 22nd July, 2020

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN 00097175)

Saraflex, Inc
Consolidated statement of changes in equity for the year ended 31st March, 2020

a. Equity Share Capital (note 11)

Amounts in INR

Particulars	Amount
Balance as at 1st April, 2018	59,649,740
Changes in equity share capital during the year 2018-19	-
Balance as at 31st March, 2019	59,649,740
Changes in equity share capital during the year 2019-20	-
Balance as at 31st March, 2020	59,649,740

b. Other Equity (note 12)

Amounts in INR

Particulars	Instruments classified as Equity	Reserves and Surplus		Total attributable to Owners of the Company	Attributable to NCI	Total Equity
	1% Non Cumulative Redeemable Preference Shares	Foreign currency translation reserve	Retained earnings			
As at 1st April, 2018	-	12,045,565	(722,645,352)	(710,599,787)	1,272,037	(709,327,750)
Profit for the year 2018-19			(76,532,222)	(76,532,222)	317,522	(76,214,655)
Other comprehensive income for the year 2018-19 (net of tax)	-	(46,776,585)	-	(46,776,585)	76,241	(46,700,344)
Total comprehensive income for the year	-	(46,776,585)	(76,532,222)	(123,308,807)	393,763	(122,915,044)
Dividend	-	-	-	-	-	-
As at 31st March, 2019	-	(34,731,020)	(799,177,574)	(833,908,594)	1,665,800	(832,242,794)
Profit for the year 2019-20			(59,158,621)	(59,158,621)	322,005	(58,836,616)
Conversion into Preference Shares	782,485,000	-	-	782,485,000		782,485,000
Other comprehensive income for the year 2019-20 (net of tax)	-	(36,667,183)	-	(36,667,183)	168,497	(36,498,686)
Total comprehensive income for the year	782,485,000	(36,667,183)	(59,158,621)	686,659,196	490,502	687,149,698
Dividend	-	-	-	-	-	-
As at 31st March, 2020	782,485,000	(71,398,203)	(858,336,195)	(147,249,398)	2,156,302	(145,093,096)

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No. 101961W/W 100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Place: Mumbai
Date: 22nd July, 2020

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

1. **CORPORATE INFORMATION.**

Sarlaflex, Inc. ('the Company') is a Company incorporated and domiciled in United States of America (USA) and has its registered office at 1497 Industrial RD Walterboro SC, United States of America

The Company and its subsidiaries (collectively the 'Group') is engaged primarily in manufacturing and commission agent of polyester yarns.

2. **BASIS OF COMPLIANCE, BASIS OF PREPARATION, CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS AND SIGNIFICANT ACCOUNTING POLICIES:**

2.1. **Basis of compliance:**

The Consolidated Financial Statements (CFS) comply in all material aspects with Indian Accounting Standards ('Ind AS').

2.2. **Basis of preparation and presentation.**

The CFS of the Group have been prepared under historical cost convention using the accrual method of accounting basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the significant accounting policies below.

Current and Non – Current Classification

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

2.3. **Use of Judgements and Estimates:**

The preparation of the CFS requires management to make estimates, assumptions and judgments that affect the reported balances of assets and liabilities and disclosures as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates considering different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Impact on account of revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below:

a. Estimates of useful lives and residual value of property, plant and equipment and intangible assets;
b. Measurement of defined benefit obligations;
c. Measurement and likelihood of occurrence of provisions and contingencies;
d. Impairment of investments;
e. Recognition of deferred tax assets; and
f. Measurement of recoverable amounts of cash generating units

2.4. Basis of Consolidation:

The CFS comprise the financial statements of the Company and its subsidiaries as at the reporting date.

2.4.1 Subsidiaries:

Subsidiaries include all the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns through its involvement in the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date on which Group attains control and are deconsolidated from the date that control ceases to exist.

2.4.2 The CFS have been prepared on the following basis:

a. The financial statements of the Company and its subsidiary companies have been consolidated on a line by line basis by adding together of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India. Accounting policies of the respective subsidiaries are aligned wherever necessary, so as to ensure consistency with the accounting policies that are adopted by the Group under Ind AS.

b. The Financial Statements of the Subsidiaries used in preparation of the CFS are drawn up to the same reporting date as that of the Company i.e. 31st March, 2020.

c. The results of subsidiaries acquired or disposed off during the year are included in the CFS from the effective date of acquisition and up to the effective date of disposal, as appropriate.

d. CFS are presented, to the extent applicable, in accordance with the requirements as applicable to the Company's separate financial statements.

e. Non controlling interests in the net assets of the subsidiaries that are consolidated consists of the amount of equity attributable to non controlling shareholders at the date of acquisition and subsequent addition of their share of changes in equity.

Profit or loss and each component of OCI are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.4.3 The percentage of ownership interest of the Company in the Subsidiary Companies as on 31st March, 2020 are as under:

Particulars	**Country of Incorporation**	**Percentage of actual ownership interest as on**	
		31st March, 2020	**31st March, 2019**
Subsidiary			
Sarlaflex LLC	USA	100%	100%
Sarla Estate LLC	USA	100%	100%
Sarla Leverage Lender LLC	USA	95%	95%

2.5. Property, plant and equipment.

2.5.1 Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

2.5.2 The initial cost of an asset comprises its purchase price (including import duties and non-refundable taxes), any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, borrowing cost for qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use).

2.5.3 Machinery spares that meet the definition of property, plant and equipment are capitalised.

2.5.4 Property, plant and equipment which are not ready for intended use as on date of Balance Sheet are disclosed as "Capital work-in-progress";

2.5.5 Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit and Loss during the period in which they are incurred.

2.5.6 An item of property, plant and equipment and any significant part initially recognised separately as part of property, plant and equipment is derecognised upon disposal; or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the Statement of Profit and Loss when the asset is derecognised.

2.5.7 Depreciation is provided on a pro-rata basis on the straight line method based on estimated useful life prescribed under Schedule II to the Act, except for assets costing Rs. 5,000/- or less are fully depreciated or fully written off in the year of purchase;

2.5.8 Components of the main asset that are significant in value and have different useful lives as compared to the main asset are depreciated over their estimated useful life. Useful life of such components has been assessed based on Historical experience and internal technical assessment;

2.5.9 Depreciation on spare parts specific to an item of property, plant and equipment is based on life of the related property, plant and equipment. In other cases, the spare parts are depreciated over their estimated useful life based on the technical assessment;

2.5.10 Leasehold land is amortised over the primary lease period;

2.5.11 Freehold land is not depreciated;

2.5.12 The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and changes, if any, are accounted in the line with revisions to accounting estimates;

2.6. Impairment of Non-financial Assets:

2.6.1 Non financial assets other than inventories, deferred tax assets and non-current assets classified as held for sale are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication of such impairment exists, the recoverable amount of such assets / cash generating unit is estimated and in case the carrying amount of these assets exceeds their recoverable amount, an impairment is recognised;

2.6.2 The recoverable amount is the higher of the fair value less cost of disposal and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. Assessment is also done at each Balance Sheet date as to whether there is indication that an impairment loss recognised for an asset in prior accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

2.7. Inventories:

2.7.1 Inventories are valued at lower of cost (on First-In-First Out basis) and net realisable value after providing for obsolescence and other losses, where considered necessary.

2.7.2 Cost includes all charges in bringing the goods to their present location and condition. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable taxes.

2.7.3 Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale

2.8. Fair Value measurement:

2.8.1 The Group measures certain financial instruments at fair value at each reporting date.

2.8.2 Certain accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities;

2.8.3 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability also reflects its non performance risk.

2.8.4 The best estimate of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently that difference is recognised in Statement of Profit and Loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2.8.5 While measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- **Level 3:** inputs for the assets or liability that are not based on observable market data (unobservable inputs)

2.8.6 When quoted price in active market for an instrument is available, the Group measures the fair value of the instrument using that price. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2.8.7 If there is no quoted prices in an active market, then the Group uses a valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2.8.8 The Group regularly reviews significant unobservable inputs and valuation adjustments. If the third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified

2.9. **Financial Instruments:**

2.9.1 Financial Assets:

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value, in case of financial assets which are recognised at fair value through profit and loss, its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset.

Financial assets are subsequently classified as measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Group changes its business model for managing financial assets.

Trade Receivables and Loans:

Trade receivables and loans are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

Debt instruments:

Debt instruments are subsequently measured at amortised cost, FVOCI or FVTPL till de-recognition on the basis of:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

<u>Measured</u> at amortised cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss

Measured at FVOCI.

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at FVOCI. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On de-recognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

Measured at FVTPL

A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

Equity Instruments:

All investments in equity instruments classified under financial assets are initially measured at fair value, the Group may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL.

The Group makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as other income in the Statement of Profit and Loss unless the Group has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

De-recognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

2.9.2 Financial Liabilities-

Initial recognition and measurement:

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as FVTPL. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest method.

Subsequent measurement:

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at FVTPL are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

De-recognition:

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.9.3 Financial guarantees:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the fair value initially recognised less cumulative amortisation.

2.9.4 Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10. Revenue Recognition:

2.10.1 Sale of goods:

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch / delivery of goods, based on contracts with the customers. Export sales are recognized on the issuance of Bill of Lading / Airway bill by the carrier.

Revenue is measured based on the transaction price, which is the consideration, adjusted for discounts, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

A contract liability is the obligation to transfer goods to the customer for which the Group has received consideration from the customer. Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract Balances

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.10.2 Rendering of Services

Revenue is recognized from rendering of services when the performance obligation is satisfied and the services are rendered in accordance with the terms of customer contracts. Revenue is measured based on the transaction price, which is the consideration, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

2.10.3 Income from sale of scrap is accounted for on realisation;

2.10.4 Interest income is recognized using the effective interest rate (EIR) method;

2.10.5 Dividend income on investments is recognised when the right to receive dividend is established.

2.10.6 Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

2.11. Employee Benefits:

2.11.1 Short-term employee benefits:

Short-term employee benefits (including leave) are recognized as an expense at an undiscounted amount in the Statement of Profit and Loss of the year in which the related services are rendered.

2.11.2 Post-employment benefits:

The Group operates the following post – employment schemes:

- Defined contribution plans such as provident fund, and

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Defined benefit plans such as gratuity

Defined Contribution Plans:

Obligations for contributions to defined contribution plans such as provident fund are recognised as an expense in the Statement of Profit and Loss as the related service is provided.

Defined Benefit Plans:

The Group's net obligation in respect of defined benefit plans such as gratuity is calculated by estimating the amount of future benefit that the employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets

The calculation of defined benefit obligation is performed at each reporting period end by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The current service cost of the defined benefit plan, recognised in the Statement of Profit and Loss as part of employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the Statement of Profit and Loss. The net interest is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This net interest is included in employee benefit expense in the Statement of Profit and Loss

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

2.12. Borrowing costs:

2.12.1 Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs;

2.12.2 Borrowing costs that are attributable to the acquisition or construction of qualifying assets (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use) are capitalized as a part of the cost of such assets. All other borrowing costs are charged to the Statement of Profit and Loss;

2.12.3 Investment Income earned on the temporary investment of funds of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.13. Foreign Currency Transactions:

2.13.1 The functional currency of the Group is USD, whereas presentation currency of the group is INR.

2.13.2 Monetary items:

Transactions in foreign currencies are initially recorded at their respective exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing on the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss either as profit or loss on foreign currency transaction and translation or as borrowing costs to the extent regarded as an adjustment to borrowing costs;

2.13.3 Non – Monetary items:

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.13.4 Foreign operations:

For the purpose of consolidation, those operations that have a functional currency different from the Group's presentation currency, income and expenses are translated at average rates and the assets and Liabilities are stated at closing rate. The net impact of such translation are recognised in OCI and held in Foreign Currency Translation Reserve (FCTR), a component of Equity.

2.14. Provisions and Contingent Liabilities:

2.14.1 Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.14.2 The expenses relating to a provision is presented in the Statement of Profit and Loss net of reimbursements, if any.

2.14.3 If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.14.4 Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

2.15. Taxes on Income

2.15.1 Current Tax

Income-tax Assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the end of reporting period.

Current Tax items are recognised in correlation to the underlying transaction either in the Statement of Profit and Loss, other comprehensive income or directly in equity.

2.15.2 Deferred tax

Deferred tax is provided using the Balance Sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred Tax items are recognised in correlation to the underlying transaction either in the Statement of Profit and Loss, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is not recognized for temporary differences related to investments in Subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

2.16. Earnings per share

2.16.1 Basic earnings per share are calculated by dividing the profit or loss for the period attributable to equity shareholders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.

2.16.2 For the purpose of calculating diluted earnings per share, the profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

2.17. Cash and Cash equivalents:

Cash and cash equivalents in the Balance Sheet include cash at bank, cash, cheque, draft on hand and demand deposits with an original maturity of less than three months, which are subject to an insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, Cash and cash equivalents include cash at bank, cash, cheque and draft on hand. The Group considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2.18. Cash Flows:

Cash flows are reported using the indirect method, where by net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

2.19. Dividend:

Final dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

3

Amount in INR

Gross Block	Land	Freehold Land	Buildings	Plant & Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2018	6,178,800	38,960,066	132,292,610	480,376,686	571,767	1,245,980	157,998	1,946,387	659,705,322
Additions					-		-		-
Deletions	-	-	-		-	-	-	-	-
Exchange fluctuations	392,350	2,473,540	8,400,499	30,503,624	36,307	79,113	13,668	123,594	2,034,871
Balance as at March 31, 2019	6,571,150	41,434,006	140,693,109	510,880,310	608,074	1,324,993	175,666	2,069,981	661,740,193
Additions							-	-	
Deletions						-	-		-
Exchange fluctuations	590,900	3,725,886	12,651,600	45,340,083	54,680	115,148	16,066	186,140	63,284,502
Balance as at March 31, 2020	7,162,050	45,159,892	153,344,709	556,220,393	662,754	1,444,141	194,732	2,256,121	725,024,695

Accumulated Depreciation	Land	Freehold Land	Buildings	Plant & Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2018	-	2,117,182	7,477,609	128,124,052	283,835	837,561	111,999	1,714,064	140,659,341
Depreciation charge for the year	-	1,173,833	3,551,354	65,457,995	152,550	445,248	56,484	306,151	-
Depreciation on deletion		-					-	-	69,714,776
Exchange Fluctuations	-	8,074,822	(7,518,664)	7,519,111	16,452	43,143	(156,678)	49,785	854,387
Balance as at March 31, 2019	-	11,365,807	3,940,339	205,145,258	452,837	1,324,952	111,805	2,069,981	211,228,004
Depreciation charge for the year	-	1,190,431	4,737,795	69,900,084	154,550	-	57,285		75,300,254
Depreciation on deletion	-		-	-	-	-		-	
Exchange fluctuations	-	3,392,464	(3,583,467)	22,895,004	50,557	119,189	13,699	186,140	24,979,566
Balance as at March 31, 2020	-	17,948,701	4,294,667	297,940,346	658,004	1,444,141	182,789	2,256,121	311,541,844

Net Book Value	Land	Freehold Land	Buildings	Plant & Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at 31st March, 2019	6,571,150	30,068,199	136,752,771	305,735,051	155,287	41	66,861	-	479,349,360
Balance as at 31st March, 2020	7,162,050	27,211,191	149,050,042	258,890,046	4,750	(0)	11,944	-	442,320,023

Sarlalles, Inc.

Notes to consolidated financial statements for the year ended 31st March, 2020

4 Non current financial asset - Investments

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unquoted		
Investment in SSUCDC Investment Fund II, LLC at FVTPL	687,852,630	631,101,823
Total	687,852,630	631,101,823
Aggregate value of unquoted investments	687,852,630	631,101,823
Aggregate value of quoted investments	-	
Aggregate amount of impairment in the value of investments		-

5 Non-current financial assets - Loans

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Other loans and advance	52,106,025	47,807,053
Total	52,106,025	47,807,053
Breakup		
Loans considered good - Secured		-
Loans considered good - Unsecured	52,106,025	47,807,053
Loans which have significant increase in credit risk		
Loans - credit impaired		
Total	52,106,025	47,807,053

6 Deferred tax assets (Net)

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Tax effect of items constituting deferred tax assets		
On account of carry forward losses	35,734,860	32,786,580
Total	35,734,860	32,786,580

7 Other Non-Current Assets

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good unless stated otherwise		
MMTC benefit receivable	252,157,774	194,337,088
Total	252,157,774	194,337,088

8 Inventories (at lower of cost and net realisable value)

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Raw Materials	33,983,014	31,179,363
Work-in-Progress	-	-
Finished goods	80,945,238	74,770,632
Stores and Spares	644,057	590,513
Oil & Lubricants	1,839,677	1,686,033
Packing Materials	9,128,840	8,371,809
Total	126,540,826	116,300,862

Note:
(i) There has been no write down of inventories during the year

9 Cash & cash equivalents

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Cash and Cash Equivalents		
Balances with Banks	6,796,274	17,360,480
Cash on Hand	135,851	125,746
Total	6,932,125	17,486,226

10 Other Current Assets

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Prepaid Expenses	1,132,959	1,039,485
Other receivable	2,265,764	3,656,590
Total	3,398,723	4,696,075

Sarlaflex, Inc.
Notes to consolidated financial statements for the year ended 31st March, 2020

Equity

11 Equity Share Capital

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Issued, Subscribed and Paid up		
9,89,000 (As at 31st March, 2019: 9,89,000) Equity Shares of USD 1 each	59,649,740	59,649,740
Total	59,649,740	59,649,740

Reconciliation of number equity shares:

Issued, subscribed and paid up share capital	As at 31st March, 2020	As at 31st March, 2019
Opening Balance	989,000	989,000
Add / (Less): Changes during the year	-	-
Closing Balance	989,000	989,000

Shares held by shareholders each holding more than 5% of the shares

Shareholders	As at 31st March, 2020	As at 31st March, 2019
Sarla performance Fibers Limited		
No. of Shares	989,000	989,000
Percentage	100%	100%

12 Other Equity

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Instruments classified as Equity - 1% Non Cumulative Redeemable Preference Shares	782,455,000	
Retained Earning	(858,336,194)	(799,177,579)
Foreign Currency Translation Reserve	(71,398,737)	(34,731,070)
Total	(147,249,936)	(833,908,593)

Reconciliation of number Preference shares

Issued, subscribed and paid up share capital	As at 31st March, 2020	As at 31st March, 2019
Opening Balance		-
Add / (Less): Changes during the year	11	
Closing Balance	11	-

Shares held by shareholders each holding more than 5% of the shares

Shareholders	As at 31st March, 2020	As at 31st March, 2019
Sarla performance Fibers Limited		
No. of Shares	11	
Percentage	100%	100%

Rights, preferences and restrictions attached to shares

The Company has one class of preference shares having a par value of USD 1,000,000 per share. Each preference share shall,

(i) be paid dividend on a non-cumulative basis; and;

(ii) Non cumulative redeemable after 3 years from the date of allotment at the option of issuer

The movement in other Equity:

12.1 Instruments classified as Equity - 1% Non Cumulative Redeemable Preference Shares	As at 31st March, 2020	As at 31st March, 2019
Balance as at beginning of the year	-	-
Additions/ (Conversions)	782,485,000	-
Balance as at end of the year	782,485,000	-

SARLAFLEX LLC

12.2 Retained earnings

Retained earnings	As at 31st March, 2020	As at 31st March, 2019
Balance as at beginning of the year	(799,177,578)	(722,645,393)
Profit for the year	(59,158,620)	(76,532,185)
Balance as at end of the year	(858,336,198)	(799,177,578)

Retained earnings represents surplus/accumulated earnings of the Group and are available for distribution to shareholders.

12.3 Foreign Currency Translation Reserve

Foreign Currency Translation Reserve	As at 31st March, 2020	As at 31st March, 2019
Balance as at beginning of the year	(34,731,020)	12,045,565
Profit for the year	(36,667,183)	(46,776,585)
Balance as at end of the year	(71,398,203)	(34,731,020)

Foreign Currency Monetary Item Translation Difference Account represents amounts recognised on account of translation of long term foreign currency denominated borrowings not related to acquisition of depreciable assets. Amounts so recognised are amortised in the Statement of Profit and Loss over the remaining maturity of related borrowings.

13 Non-Controlling Interest

The following table summarises the financial information relating to Sarla Leverage Lender LLC that has non controlling interests (95%)

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Non - current assets	778,770,741	652,342,637
Current assets	1,810,518	1,677,505
Non - current liabilities	(737,852,600)	(621,101,823)
Current liabilities	-	
Net assets	42,728,659	32,918,319
Carrying amount of non-controlling interests	2,136,308	1,645,800

14 Non -Current borrowings

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Term loans:		
Secured loans - From others (refer note (i))		
NHMF Sub-CDE XXIII, LLC LOAN "A"	687,857,630	631,101,491
NHMF Sub-CDE XXIII, LLC LOAN "B"	262,415,670	259,136,077
Unsecured Loans - From others		
Other loans and advances	713,823,800	1,387,855,586
Total	1,664,097,107	2,278,093,154

Nature of security

(i) Such loans are secured against the Property, Plant and Equipments of Sarlaflex LLC.

15 Other non current financial liabilities

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Creditor for capital goods	-	7,839,244
Total	-	7,839,244

16 Other current liabilities

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Other statutory dues payable	3,279,715	6,428,137
Creditors for expenses	4,748,979	3,917,071
Other liabilities	364,520	2
Total	8,393,214	10,345,210

SARLAFLEX LLC

17 Revenue From Operations

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the Year ended 31st March, 2019
Sale of Products/ Services	290,955	-
Other Operating Revenues	314,565	-
Total	605,520	-

18 Other Income

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Miscellaneous Income	37,931,696	37,401,893
Total	37,931,696	37,401,893

19 Cost of material consumed

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Inventory at the beginning of the year	31,179,269	29,317,518
Add: Purchase	-	-
Less: Inventory at the end of the year	(33,983,014)	(31,179,269)
Total	(2,803,745)	(1,861,751)

20 Changes in inventories of Finished goods and work in progress

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Closing stock		
Work-in-progress	-	-
Finished goods	80,949,298	74,270,632
Opening stock		
Work-in-progress	-	-
Finished goods	74,270,632	69,836,083
Total	(6,678,666)	(4,434,549)

SADAFLEX LLC

21 Employee benefit expense

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Salaries, wages and bonus	7,275,552	6,848,358
Staff welfare expenses	680,993	1,304,619
Total	8,066,545	8,153,017

22 Finance cost

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Interest expenses	9,390,059	8,000,419
Total	9,390,059	8,000,418

23 Depreciation and amortization expense

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Depreciation on property, plant and equipment	75,340,254	63,714,276
Total	75,340,254	69,714,276

24 Other expenses

Amount in INR

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Power and fuel	3,257,341	3,941,040
- Machinery	-	20,967
Rent	1,063,203	1,103,546
Repairs and Maintenance - Others	500,349	34,545
Insurance	5,741,494	5,265,933
Rates and taxes	310,856	5,748,767
Legal and professional fees	1,197,872	6,033,869
Bank Charges	766,134	724,657
Miscellaneous expenses	1,529,982	1,076,335
Payment to auditor		
- Audit fee	212,640	209,670
Total	14,059,387	28,160,739

SANTEX LTD

25 Earnings per share (EPS)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Profit for the year	(59,158,621)	(76,532,218)
Equity shares outstanding at the beginning and at the end of the year (Nos)	989,000	989,000
Nominal value of each share (in USD)	1	1
Basic and Diluted earning per share	**(59.82)**	**(77.38)**
Dilutive potential equity shares (Refer note below)	-	-
Weighted average number of equity shares/convertible instruments for Diluted EPS	989,000	989,000
Diluted Earning Per Share	**(59.82)**	**(77.38)**

Note

As per Ind AS 33 on Earnings per share, potential equity shares i.e. Preference shares are antidilutive in nature for the year ended 31 March 2020, therefore not considered in Diluted EPS computation.

Sarlaflex. Inc.
Notes Forming Part of Consolidated Financial Statements

26 Related party disclosures

1 Relationships
(a) Parent Company
Sarla Performance Fibers Limited

(b) Entities controlled by Key Managerial Personnel
M/s Satidham Industries Private Ltd.
M/s Hindustan Cotton Co
Sarla Overseas Holding Limited
Sarla Europe, LDA

(c) Key Managerial Personnel
Krishna Jhunjhunwala - Managing Director

2 Details of transactions with above related parties

Amount in INR

Nature of Transaction	Holding Company		Entities controlled by Key Managerial Personnel		Key Managerial Personnel	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
(a) Unsecured Loan converted in to preference shares						
Sarlaflex Inc.	722,495,000	-	-	-		-
(a) Unsecured Loan taken						
M/s Sarla Performance Fibers Limited		49,058,966				-
Sarla Overseas Holding Limited	88,541,814	990,327,530	-	-	-	

3 Balances Outstanding

(Rs. In lakhs)

Nature of Transaction	Holding Company		Entities controlled by Key Managerial Personnel		Key Managerial Personnel	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
(a) Unsecured Loan taken						
M/s Sarla Performance Fibers Limited	24,879,831	785,965,341	-	-		-
Sarla Overseas Holding Limited	673,869,444	590,527,630				
(b) Unsecured Loan Given						
Sarla Europe, LDA	3,768,500	2,458,500	-		-	-

Notes:
(a) Sales, purchases and service transactions with related parties are made at arm's length price.
(b) Amounts outstanding are unsecured and will be settled in cash or receipts of goods and services
(c) No expense has been recognised for the year ended 31st March 2020 and 31st March 2019 for bad or doubtful unsecured loans in respect of amounts owed by related parties

SARLAFLEX LLC

27 Financial Instruments

A Capital Management:

The Group manages its capital structure with a view to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 14) and total equity of the Group.

The Group's management reviews the capital structure of the Group on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows

Amount in INR

Particulars	As at 31st March, 2020	As at 31st March, 2019
Non-current borrowings	1,684,093,107	2,278,073,486
Current maturities of non current borrowings		-
Current borrowings	-	-
Total Debt	1,684,093,107	2,278,073,486
Equity	(85,443,335)	(772,555,053)
Net debt to equity ratio	(19.71)	(2.95)

For the purpose of computing debt to equity ratio, equity includes Equity Share Capital and Other Equity and Debt includes long term borrowings, short term borrowings and current maturities of long term borrowings.

B Financial Instruments-Accounting Classifications and Fair value measurements (Ind AS 107)

i) Classification of Financial Assets and Liabilities:

(Rs. In lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Financial assets		
At Amortised cost		
Investment	687,852,630	631,101,923
Cash and cash equivalents	6,932,125	17,486,226
Loans	52,106,025	47,807,053
Total	746,890,780	696,395,202
Financial liabilities		
At Amortised cost		
Borrowings	1,684,093,107	2,278,073,486
Other financial liability	-	7,839,744
Total	1,684,093,107	2,285,912,730

SARLAFLEX INC

28 Financial risk management objectives (Ind AS 107)

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The key risks and mitigating actions are also placed before the Audit Committee of the Group.

The Group has exposure to the following risks arising from financial instruments:
A) Credit risk;
B) Liquidity risk;
C) Market risk; and
D) Interest rate risk

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily form financial assets such as trade receivables, investments, derivative financial instruments, other balances with banks, loans and other receivables

Trade and other receivables

Customer credit is managed by each business unit subject to the Group's established policies, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 0 to 180 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group does not hold collateral as security. The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

The Group measures the expected credit loss of trade receivables based on historical trend, industry practices and the business environment in which the entity operates

Other financial assets

The Group maintains exposure in cash and cash equivalents, term deposits with banks. The Group has diversified portfolio of investment with various number of counter-parties which have secure credit ratings hence the risk is reduced. Individual risk limits are set for each counter-party based on financial position, credit rating and past experience. Credit limits and concentration of exposures are actively monitored by the Management of the Group.

b Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by Group through effective fund management. The Group's principal sources of liquidity are cash and cash equivalents, borrowings and the cash flow that is generated from operations. The Group believes that current cash and cash equivalents, tied up borrowing lines and cash flow that is generated from operations is sufficient to meet requirements. Accordingly, liquidity risk is perceived to be low.

The following are the remaining contractual maturities of financial liabilities at the reporting date. Amounts disclosed are the contractual undiscounted cash flows.

Maturity analysis of significant financial liabilities

Amounts in INR

Particulars	As at 31st March, 2020			As at 31st March, 2019		
	Carrying amount	Contractual cash flows		Carrying amount	Contractual cash flows	
		Upto 1 year	More than 1 year		Upto 1 year	More than 1 year
Financial liabilities						
Borrowings (including Current Maturities of Long-term Debts)	1,684,093,107	-	1,684,093,107	2,278,073,485	-	2,278,073,485
Other financial liabilities (including derivative financial instruments)	-	-	-	7,839,244	-	7,839,244
	1,684,093,107	-	1,684,093,107	2,285,912,729	-	2,285,912,729

c Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the Group's short-term and long term borrowings with floating interest rates. The Group constantly monitors the credit markets and revisits financing strategies to achieve an optimal maturity profile and financing cost.

Interest Rate Exposure:

Amounts in INR

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Term loans - long term		
Fixed Rate Borrowings	713,833,807	1,387,855,585
Non Interest bearing	970,260,300	890,217,900
	1,684,093,107	2,278,073,485

Interest rate sensitivities for floating rate borrowings

Particulars	Increase in Exchange rate by 0.25%		Decrease in Exchange rate by 0.25%	
Movement in rate	For the year ended 31st March, 2020	For the year ended 31st March, 2019	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Term loans - long term	-	-	-	-
Short term borrowings	-	-		

Interest rate sensitivity has been calculated assuming the borrowings outstanding at the reporting date have been outstanding for the entire reporting period.

9 Group has suspended its manufacturing operations since December 2017. The management is confident that with the recent trade sanctions being imposed in the US, the operations of the Group will be profitable. The management is monitoring the situation on a continuous basis and is confident that there would no need for an impairment at this stage. Accordingly, the financial statements of the Group have been prepared based on going concern assumption.

Sarlaflex, Inc.
Consolidated Balance Sheet as at 31st March, 2020

Amount in USD

	Particulars	Note No	As at 31st March, 2020	As at 31st March 2019
I	ASSETS			
(1)	Non-current assets			
	(a) Property, Plant and Equipment	3	5,867,091	6,930,018
	(b) Financial Assets			
	(i) Investments	4	9,123,924	9,123,924
	(ii) Loans	5	691,153	691,153
	(c) Deferred Tax Assets (net)	6	474,000	474,000
	(d) Other non current assets	7	-	
	Total Non-Current Assets		16,156,168	17,219,095
(2)	Current assets			
	(a) Inventories	8	1,678,473	1,678,483
	(b) Financial Assets			
	(i) Cash and cash equivalents	9	91,950	252,801
	(c) Other current assets	10	45,092	67,892
	Total Current Assets		1,815,515	1,999,176
	Total Assets		17,971,683	19,218,271
II	EQUITY AND LIABILITIES			
	Equity			
	(a) Equity Share capital	11	585,000	989,300
	(b) Other Equity	12	(5,091,402)	(14,992,135)
	Equity attributable to equity share holders		(4,506,402)	(14,002,835)
	Non-controlling interests	13	28,339	23,796
	Total equity		(4,478,063)	(13,979,039)
	Liabilities			
(1)	Non-current liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	14	22,338,415	32,934,415
	(ii) Other financial liability	15	-	113,333
	Total Non-Current Liabilities		22,338,415	33,047,748
(2)	Current liabilities			
	Other current liabilities	16	111,331	149,562
	Total Current Liabilities		111,331	149,562
	Total Equity and Liabilities		17,971,683	19,218,271

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No : 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

SARLAFLEX

Place: Mumbai
Date: 22nd July, 2020

Sailaflex, Inc.

Consolidated Statement of profit and loss for the year ended 31st March 2020

Amount in USD

	Particulars	Note No.	For the year ended 31st March, 2020	For the year ended 31st March, 2019
I	Revenue from Operations	17	8,543	-
II	Other Income	18	-	
III	TOTAL INCOME (I+II)		8,543	-
IV	Expenses			
	a) Cost of materials consumed	19		-
	b) Changes in inventories of finished goods and work-in-progress	20		-
	c) Employee benefits expense	21	113,308	116,055
	d) Finance costs	22	152,478	114,477
	e) Depreciation and amortization expense	23	1,002,327	1,082,680
	f) Other expenses	24	138,356	402,522
	TOTAL EXPENSES (a to f)		1,507,568	1,715,736
V	Profit/ (Loss) before tax (III - IV)		(1,499,025)	(1,715,736)
VI	Tax expense:			
	(1) Current tax			-
	(2) Deferred tax		-	
VII	Profit (Loss) for the period from continuing operations (V-VI)		(1,499,025)	(1,715,736)
VIII	Other Comprehensive Income			
A	Items that will not be reclassified to profit or loss			
	Remeasurement of defined benefit plan		-	-
	Income tax relating to items that will not be reclassified to profit or loss		-	
	Total (A)		-	-
B	Items that will be reclassified to profit or loss			
	Foreign currency translation difference			-
	Income tax relating to items that will be reclassified to profit or loss		-	-
	Total (B)			-
	Total Other Comprehensive Income for the period (A+B)			-
IX	Total Comprehensive Income for the period (VII-VIII)		(1,499,025)	(1,715,736)
X	Profit attributable to:			
	Owners of the Company		(1,503,567)	(1,720,279)
	Non-Controlling Interest		4,543	4,543
XI	Other Comprehensive Income attributable to:			
	Owners of the Company		-	-
	Non-Controlling Interest			
XII	Total Comprehensive Income attributable to:			
	Owners of the Company		(1,503,567)	(1,720,279)
	Non Controlling Interest		4,543	4,543
XIII	Earnings per equity share	25		
	- Basic and Diluted (Face value Re. 1)		(1.52)	(1.74)

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FRN : 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

Place: Mumbai
Date: 22nd July, 2020

Sarfaflex, Inc

Consolidated Statement of cash flows for the year ending 31st March, 2020

Amount in USD

	Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
A	Cash flow from operating activities		
	Profit before tax	(1,499,025)	(1,715,736)
	Adjustments for:		
	Finance costs	132,478	114,472
	Depreciation and amortization	1,002,927	1,081,680
	Operating profit before working capital changes	(363,620)	(519,584)
	Movements in working capital:		
	Adjustments for (increase)/decrease in operating assets:		
	Inventories	-	-
	Trade receivables	-	271,645
	Other current assets	82,812	(14,340)
	Adjustments for increase/(decrease) in operating liabilities:		
	Trade payables	-	(171,511)
	Other financial liabilities	(113,334)	(113,334)
	Borrowings	-	(2,000,000)
	Other current liabilities	(38,231)	(454,504)
	Cash generated from operations	(432,373)	(3,002,225)
	Direct taxes paid (net)	-	-
	Net cash generated from operating activities (A)	(432,373)	(3,002,225)
B	Cash flows from investing activities		
	Loans Given		181,222
	Non current loans		
	Net cash (used in) investing activities (B)	-	181,222
C	Cash flow from financing activities		
	Proceeds from borrowings	404,000	2,780,432
	Finance Costs	(132,478)	(114,472)
	Net cash (used in) financing activities (C)	271,522	2,665,960
	NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	(160,851)	(155,043)
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	Balances with banks in current accounts, earmarked balances and deposit accounts	250,983	406,066
	Cash on hand	1,818	1,778
	CASH AND CASH EQUIVALENTS AS PER NOTE 9	252,801	407,844
	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	Balances with banks in current accounts, earmarked balances and deposit accounts	90,148	250,983
	Cash on hand	1,802	1,818
	CASH AND CASH EQUIVALENTS AS PER NOTE 9	91,950	252,801

Explanatory notes to Statement of Cash Flows:

1 Cash Flow Statement has been prepared under the indirect method as set out in Ind AS 7 prescribed under the Companies Act (Indian Accounting Standard) Rules, 2015 under the Companies Act, 2013.

2 In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.

3 The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".

4 Current Liabilities & of Payables may include Payables in respect of Purchase of Property, Plant and Equipment, if any.

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No. 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Place: Mumbai
Date: 22nd July, 2020

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

Sarlaflex, Inc.
Consolidated Statement of changes in equity for the year ended 31st March, 2020

a. Equity Share Capital (note 11)

Amount in USD

Particulars	Amount
Balance as at 1st April, 2018	989,000
Changes in equity share capital during the year 2018-19	-
Balance as at 31st March, 2019	989,000
Changes in equity share capital during the year 2019-20	-
Balance as at 31st March, 2020	989,000

b. Other Equity (note 12)

Amount in USD

Particulars	Instruments classified as Equity	Reserves and Surplus	Total attributable to Owners of the Company	Attributable to NCI	Total Equity
	3% Non Cumulative Redeemable	Retained earnings			
As at 1st April, 2018	-	(13,271,556)	(13,271,556)	19,353	(13,252,203)
Profit for the year 2018-19	-	(1,720,279)	(1,720,279)	4,443	(1,715,836)
Other comprehensive income for the year 2018-19 (net of tax)		-			
Total comprehensive income for the year	-	(1,720,279)	(1,720,279)	4,443	(1,715,836)
Dividend	-	-		-	-
As at 31st March, 2019		(14,991,835)	(14,991,835)	23,796	(14,968,039)
Profit for the year 2019-20		(1,503,567)	(1,503,567)	4,543	(1,499,024)
Conversion into Preference Shares	11,000,000	-	11,000,000	-	11,000,000
Other comprehensive income for the year 2019-20 (net of tax)		-		-	
Total comprehensive income for the year	11,000,000	(1,503,567)	9,496,433	4,543	9,500,976
Dividend	-		-	-	
As at 31st March, 2020	11,000,000	(16,495,402)	(5,495,402)	28,339	(5,467,063)

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K & ASSOCIATES LLP
Chartered Accountants
ICAI FR No. 101961W/W-100036

HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Place: Mumbai
Date: 22nd July, 2020

For and on behalf of the Board of Directors

KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)

SARLAFLEX LLC

1. **CORPORATE INFORMATION:**

Sarlaflex, Inc. ("the Company") is a Company incorporated and domiciled in United States of America (USA) and has its registered office at 1497 Industrial RD, Walterboro SC, United States of America.

The Company and its subsidiaries (collectively the 'Group') is engaged primarily in manufacturing and commission agent of polyester yarns.

2. **BASIS OF COMPLIANCE, BASIS OF PREPARATION, CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS AND SIGNIFICANT ACCOUNTING POLICIES:**

2.1. **Basis of compliance:**

The Consolidated Financial Statements (CFS) comply in all material aspects with Indian Accounting Standards ('Ind AS').

2.2. **Basis of preparation and presentation:**

The CFS of the Group have been prepared under historical cost convention using the accrual method of accounting basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the significant accounting policies below.

Current and Non – Current Classification

All assets and liabilities have been classified as current or non current as per the Group's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non current classification of assets and liabilities.

2.3. **Use of Judgements and Estimates:**

The preparation of the CFS requires management to make estimates, assumptions and judgments that affect the reported balances of assets and liabilities and disclosures as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates considering different assumptions and conditions.

SARLAFLEX INC.

Estimates and underlying assumptions are reviewed on an ongoing basis. Impact on account of revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below:

a. Estimates of useful lives and residual value of property, plant and equipment and intangible assets;
b. Measurement of defined benefit obligations;
c. Measurement and likelihood of occurrence of provisions and contingencies;
d. Impairment of investments;
e. Recognition of deferred tax assets; and
f. Measurement of recoverable amounts of cash-generating units.

2.4. Basis of Consolidation:

The CFS comprise the financial statements of the Company and its subsidiaries as at the reporting date.

2.4.1 Subsidiaries:

Subsidiaries include all the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns through its involvement in the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date on which Group attains control and are deconsolidated from the date that control ceases to exist.

2.4.2 The CFS have been prepared on the following basis:

a. The financial statements of the Company and its subsidiary companies have been consolidated on a line by line basis by adding together of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India. Accounting policies of the respective subsidiaries are aligned wherever necessary, so as

SARLAFLEX LTD.

to ensure consistency with the accounting policies that are adopted by the Group under Ind AS.

b. The Financial Statements of the Subsidiaries used in preparation of the CFS are drawn up to the same reporting date as that of the Company, i.e. 31st March, 2020.

c. The results of subsidiaries acquired or disposed off during the year are included in the CFS from the effective date of acquisition and up to the effective date of disposal, as appropriate.

d. CFS are presented, to the extent applicable, in accordance with the requirements as applicable to the Company's separate financial statements

e. Non controlling interests in the net assets of the subsidiaries that are consolidated consists of the amount of equity attributable to non-controlling shareholders at the date of acquisition and subsequent addition of their share of changes in equity

Profit or loss and each component of OCI are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.4.3 The percentage of ownership interest of the Company in the Subsidiary Companies as on 31st March, 2020 are as under:

Particulars	Country of Incorporation	Percentage of actual ownership interest as on	
		31st March, 2020	31st March, 2019
Subsidiary			
Sarlaflex LLC	USA	100%	100%
Sarla Estate LLC	USA	100%	100%
Sarla Leverage Lender LLC	USA	95%	95%

2.5. Property, plant and equipment:

2.5.1 Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any;

2.5.2 The initial cost of an asset comprises its purchase price (including import duties and non-refundable taxes), any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, borrowing cost for qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use).

2.5.3 Machinery spares that meet the definition of property, plant and equipment are capitalised;

2.5.4 Property, plant and equipment which are not ready for intended use as on date of Balance Sheet are disclosed as "Capital work-in progress";

2.5.5 Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit and Loss during the period in which they are incurred;

2.5.6 An item of property, plant and equipment and any significant part initially recognised separately as part of property, plant and equipment is derecognised upon disposal; or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the Statement of Profit and Loss when the asset is derecognised;

2.5.7 Depreciation is provided on a pro-rata basis on the straight line method based on estimated useful life prescribed under Schedule II to the Act, except for assets costing Rs. 5,000/- or less are fully depreciated or fully written off in the year of purchase;

2.5.8 Components of the main asset that are significant in value and have different useful lives as compared to the main asset are depreciated over their estimated useful life. Useful life of such components has been assessed based on historical experience and internal technical assessment;

2.5.9 Depreciation on spare parts specific to an item of property, plant and equipment is based on life of the related property, plant and equipment. In other cases, the spare parts are depreciated over their estimated useful life based on the technical assessment;

2.5.10 Leasehold land is amortised over the primary lease period;

2.5.11 Freehold land is not depreciated,

2.5.12 The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and changes, if any, are accounted in the line with revisions to accounting estimates,

2.6. Impairment of Non-financial Assets:

2.6.1 Non-financial assets other than inventories, deferred tax assets and non-current assets classified as held for sale are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication of such impairment exists, the recoverable amount of such assets / cash generating unit is estimated and in case the carrying amount of these assets exceeds their recoverable amount, an impairment is recognised,

2.6.2 The recoverable amount is the higher of the fair value less cost of disposal and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. Assessment is also done at each Balance Sheet date as to whether there is indication that an impairment loss recognised for an asset in prior accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

2.7. Inventories:

2.7.1 Inventories are valued at lower of cost (on First-In-First-Out basis) and net realisable value after providing for obsolescence and other losses, where considered necessary.

2.7.2 Cost includes all charges in bringing the goods to their present location and condition. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable taxes;

2.7.3 Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale

2.8. Fair Value measurement:

2.8.1 The Group measures certain financial instruments at fair value at each reporting date.

2.8.2 Certain accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities;

2.8.3 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability also reflects its non-performance risk.

2.8.4 The best estimate of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently that difference is recognised in Statement of Profit and Loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out;

2.8.5 While measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2**: inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- **Level 3**: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

2.8.6 When quoted price in active market for an instrument is available, the Group measures the fair value of the instrument using that price. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2.8.7 If there is no quoted prices in an active market, then the Group uses a valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction;

2.8.8 The Group regularly reviews significant unobservable inputs and valuation adjustments. If the third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

2.9. Financial Instruments:

2.9.1 Financial Assets:

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value, in case of financial assets which are recognised at fair value through profit and loss, its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset.

Financial assets are subsequently classified as measured at

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Group changes its business model for managing financial assets.

Trade Receivables and Loans:

Trade receivables and loans are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

Debt instruments:

Debt instruments are subsequently measured at amortised cost, FVOCI or FVTPL till de-recognition on the basis of:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Measured at amortised cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the effective interest rate ('EIR') method less impairment, if any. The amortisation of EIR and loss

SARLAFLEX, LLC

arising from impairment, if any is recognised in the Statement of Profit and Loss

Measured at FVOCI:

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at FVOCI. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On de-recognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss

Measured at FVTPL:

A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss

Equity Instruments:

All investments in equity instruments classified under financial assets are initially measured at fair value, the Group may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL.

The Group makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as other income in the Statement of Profit and Loss unless the Group has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

De-recognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

2.9.2 Financial Liabilities:

Initial recognition and measurement:

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as FVTPL. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest method.

Subsequent measurement:

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at FVTPL are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

De-recognition:

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires;

2.9.3 Financial guarantees:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the fair value initially recognised less cumulative amortisation;

2.9.4 Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet, if there is a currently enforceable

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legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10. Revenue Recognition:

2.10.1 Sale of goods:

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch / delivery of goods, based on contracts with the customers. Export sales are recognized on the issuance of Bill of Lading / Airway bill by the carrier.

Revenue is measured based on the transaction price, which is the consideration, adjusted for discounts, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

A contract liability is the obligation to transfer goods to the customer for which the Group has received consideration from the customer. Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract Balances

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.10.2 Rendering of Services

Revenue is recognized from rendering of services when the performance obligation is satisfied and the services are rendered in accordance with the terms of customer contracts. Revenue is measured based on the transaction price, which is the consideration, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

2.10.3 Income from sale of scrap is accounted for on realisation;

2.10.4 Interest income is recognized using the effective interest rate (EIR) method;

2.10.5 Dividend income on investments is recognised when the right to receive dividend is established.

2.10.6 Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

2.11. **Employee Benefits**:

2.11.1 Short-term employee benefits:

Short-term employee benefits (including leave) are recognized as an expense at an undiscounted amount in the Statement of Profit and Loss of the year in which the related services are rendered;

2.11.2 Post-employment benefits:

The Group operates the following post – employment schemes:

- Defined contribution plans such as provident fund; and

- Defined benefit plans such as gratuity

Defined Contribution Plans:

Obligations for contributions to defined contribution plans such as provident fund are recognised as an expense in the Statement of Profit and Loss as the related service is provided.

Defined Benefit Plans:

The Group's net obligation in respect of defined benefit plans such as gratuity is calculated by estimating the amount of future benefit that the employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed at each reporting period end by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The current service cost of the defined benefit plan, recognized in the Statement of Profit and Loss as part of employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the Statement of Profit and Loss. The net interest is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This net interest is included in employee benefit expense in the Statement of Profit and Loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

2.12. Borrowing costs:

2.12.1 Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs;

2.12.2 Borrowing costs that are attributable to the acquisition or construction of qualifying assets (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use) are capitalized as a part of the cost of such assets. All other borrowing costs are charged to the Statement of Profit and Loss;

2.12.3 Investment Income earned on the temporary investment of funds of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.13. Foreign Currency Transactions:

2.13.1 The functional currency of the Group is USD, whereas presentation currency of the group is USD:

2.13.2 Monetary items:

Transactions in foreign currencies are initially recorded at their respective exchange rates at the date the transaction first qualifies for recognition

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing on the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss either as profit or loss on foreign currency transaction and translation or as borrowing costs to the extent regarded as an adjustment to borrowing costs;

2.13.3 Non – Monetary items:

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions,

2.13.4 Foreign operations:

For the purpose of consolidation, those operations that have a functional currency different from the Group's presentation currency, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such translation are recognised in OCI and held in Foreign Currency Translation Reserve ('FCTR'), a component of Equity

2.14. Provisions and Contingent Liabilities:

2.14.1 Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation;

2.14.2 The expenses relating to a provision is presented in the Statement of Profit and Loss net of reimbursements, if any;

2.14.3 If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost;

2.14.4 Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability;

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

2.15. Taxes on Income

2.15.1 Current Tax

Income tax Assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the end of reporting period.

SARLAFLEX LLC

Current Tax items are recognised in correlation to the underlying transaction either in the Statement of Profit and Loss, other comprehensive income or directly in equity;

2.15.2 Deferred tax

Deferred tax is provided using the Balance Sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred Tax items are recognised in correlation to the underlying transaction either in the Statement of Profit and Loss, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Deferred tax is not recognized for temporary differences related to investments in Subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

2.16. Earnings per share

2.16.1 Basic earnings per share are calculated by dividing the profit or loss for the period attributable to equity shareholders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.

2.16.2 For the purpose of calculating diluted earnings per share, the profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

2.17. Cash and Cash equivalents:

Cash and cash equivalents in the Balance Sheet include cash at bank, cash, cheque, draft on hand and demand deposits with an original maturity of less than three months, which are subject to an insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, Cash and cash equivalents include cash at bank, cash, cheque and draft on hand. The Group considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2.18. Cash Flows:

Cash flows are reported using the indirect method, where by net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

2.19. Dividend.

Final dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

[illegible]

Notes to Financial Statements for the [illegible] ended [illegible]

3. Property, Plant & Equipment and Intangible Assets

Amount in USD

Gross Block	Land	Leasehold Land	Buildings	Plant & Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2018	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Additions									
Disposals									
Balance as at March 31, 2019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Additions									
Deletions									
Balance as at March 31, 2020	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Accumulated Depreciation	Land	Leasehold Land	Buildings	Plant & Machinery	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2018		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation charge for the year		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]									
Balance as at March 31, 2019		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation charge for the year		[illegible]		[illegible]	[illegible]		[illegible]		[illegible]
[illegible]									
Balance as at March 31, 2020		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net Book Value									
Balance as at 31st March, 2019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Balance as at 31st March, 2020	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

SAN LEX LLC

Saleflex, Inc.

Notes to consolidated financial statements for the year ended 31st March, 2020

4 **Non current financial asset - Investments**

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unquoted		
Investment in CAPCO Investment Fund LLC at FVTPL	9,123,924	9,123,924
Total	9,123,924	9,123,924
Aggregate value of unquoted investments	9,123,924	9,123,924
Aggregate value of quoted investments	-	-
Aggregate amount of impairment in the value of investments	-	-

5 **Non-current financial assets - Loans**

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Other loans and advance	691,153	691,153
Total	691,153	691,153
Breakup		
Loans considered good - Secured	-	-
Loans considered good - Unsecured	691,153	691,153
Loans which have significant increase in credit risk		
Loans - credit impaired		
Total	691,153	691,153

6 **Deferred tax assets (Net)**

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Tax effect of items constituting deferred tax assets		
On carry forward of carry forward losses	474,000	474,000
Total	474,000	474,000

7 **Other Non Current Assets**

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good unless stated otherwise		
NOL benefit receivable	-	
Total	-	-

8 Inventories (at lower of cost and net realisable value)

Particulars	As at 31st March, 2020	As at 31st March, 2019
		Amount in USD
Raw Materials	450,763	450,763
Work-in-Progress	-	-
Finished goods	3,073,741	3,073,741
Stores and Spares	8,543	8,543
Oil & Lubricants	24,404	24,404
Packing Materials	[illegible]	121,012
Total	3,678,463	3,678,463

Note:
(i) There has been no write down of inventories during the year.

9 Cash & cash equivalents

Particulars	As at 31st March, 2020	As at 31st March, 2019
		Amount in USD
Cash and Cash Equivalents		
Balances with Banks	40,148	250,983
Cash on Hand	1,802	1,819
Total	41,950	252,802

10 Other Current Assets

Particulars	As at 31st March, 2020	As at 31st March, 2019
		Amount in USD
Prepaid Expenses	15,028	15,028
Other receivable	50,054	52,854
Total	65,082	67,882

Sarlaflex, Inc.

Notes to consolidated financial statements for the year ended 31st March, 2020

Equity

11 Equity Share Capital

Amount in USD

Particulars		As at 31st March, 2020	As at 31st March, 2019
Issued, Subscribed and Paid up 9,89,000 (As at 31st March, 2019: 9,89,000) Equity Shares of USD 1 each		989,000	989,000
	Total	989,000	989,000

Reconciliation of number equity shares

Issued, subscribed and paid up share capital	As at 31st March, 2020	As at 31st March, 2019
Opening Balance	989,000	989,000
Add / (Less): Changes during the year		-
Closing Balance	989,000	989,000

Shares held by shareholders each holding more than 5% of the shares

Shareholders	As at 31st March, 2020	As at 31st March, 2019
Sarla performance Fibers Limited		
No. of Shares	989,000	989,000
Percentage	100%	100%

12 Other Equity

Amount in USD

Particulars		As at 31st March, 2020	As at 31st March, 2019
Instruments classified as Equity - 0% Non Cumulative Redeemable Preference Shares		11,000,000	
Retained Earning		(16,495,603)	14,991,835
	Total	(5,495,603)	(14,991,835)

Reconciliation of number Preference shares

Issued, subscribed and paid up share capital	As at 31st March, 2020	As at 31st March, 2019
Opening Balance	-	-
Add / (Less): Changes during the year	11	-
Closing Balance	11	

Shares held by shareholders each holding more than 5% of the shares

Shareholders	As at 31st March, 2020	As at 31st March, 2019
Sarla performance Fibers Limited		
No. of Shares	11	-
Percentage	100%	100%

Rights, preferences and restrictions attached to shares

The Company has one class of preference shares having a par value of USD 1,000,000 per share. Each preference share shall

(i) be paid dividend on a non cumulative basis; and

(ii) Non cumulative redeemable after 7 years from the date of allotment at the option of issuer

SARLAFLEX LLC

The movement in other Equity:

12.1 Instruments classified as Equity - 3% Non Cumulative Redeemable Preference Shares	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Balance as at beginning of the year	-	
Additions (Conversion)	11,000,000	
Balance as at end of the year	11,000,000	-

12.2 Retained earnings	As at 31st March, 2020	As at 31st March, 2019
Balance as at beginning of the year	(14,991,835)	(13,271,556)
Profit for the year	(1,525,567)	(1,720,279)
Balance as at end of the year	(16,435,402)	(14,993,835)

Retained earnings represents surplus/accumulated earnings of the Group and are available for distribution to shareholders.

13 Non-Controlling Interest

The following table summarises the financial information relating to Sarla Flexitech Limited LLC that has non-controlling interests (06%).

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Non - current assets	9,686,872	9,575,577
Current assets	24,025	24,258
Non - current liabilities	(9,123,524)	9,121,324
Current liabilities	-	-
Net assets	587,370	478,511
Carrying amount of non-controlling interests	28,379	23,796

14 Non-Current Borrowings

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Term Loans		
Secured Loans - From others (refer note (i))		
NBMF SUB CDC XXII LIT LOAN 1st	9,125,924	9,125,924
NBMF SUB CDC XXII LIT LOAN 4th	8,795,076	8,705,076
Unsecured Loans - From others		
Other loans and advances	9,108,415	20,597,415
Total	27,936,415	38,424,415

Nature of security

(i) Such loans is secured against the Property, Plant and Equipment of Sarlaflex LLC

15 Other non current financial liabilities

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Creditors for capital goods	-	113,335
Total	-	113,333

SARLAFLEX LLC

16 Other current liabilities

Amount in USD

Particulars		As at 31st March, 2020	As at 31st March, 2019
Other statutory dues payable		43,504	40,932
Creditors for expenses		62,952	50,032
Other liabilities		4,535	
	Total	111,335	140,952

SAI FLEX LLC

Sarlaflex, Inc.
Notes to Financial Statements

17 Revenue From Operations

Amount In USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Sale of Products/ Services	4,105	-
Other Operating Revenues	4,438	-
Total	8,543	-

18 Other Income

Amount In USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Miscellaneous Income		-
Total		-

19 Cost of material consumed

Amount In USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Inventory at the beginning of the year	450,763	450,763
Add: Purchase	-	
Less: Inventory at the end of the year	(450,763)	(450,763)
Total	-	-

20 Changes in inventories of finished goods and work in progress

Amount in USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Closing stock		
Work in progress	-	-
Finished goods	1,073,741	1,073,741
Opening stock		
Work-in-progress		-
Finished goods	1,073,741	1,073,741
Total	-	

SARLAFLEX LLC

21 Employee benefit expense

Amount in USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Salaries, wages and bonus	104,071	97,988
Staff welfare expenses	9,735	18,667
Total	113,806	116,655

22 Finance cost

Amount in USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Interest expenses	132,478	114,472
Total	132,478	114,472

23 Depreciation and amortization expense

Amount in USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Depreciation on property, plant and equipment	1,062,927	1,081,680
Total	1,062,927	1,081,680

24 Other expenses

Amount in USD

Particulars	For the Period ended 31st March, 2020	For the year ended 31st March, 2019
Power and fuel	45,671	56,189
Machinery	-	403
Rent	15,000	15,793
Repairs and Maintenance - Others	7,055	500
Insurance	81,003	75,360
Rates and taxes	4,386	139,487
Legal and professional fees	16,900	65,334
Bank Charges	1,755	10,369
Miscellaneous expenses	21,586	15,400
Payment to auditor		
- Audit fee	5,000	3,000
Total	198,356	402,929

SARAYLEY LLC

25 Earnings per share (EPS)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Profit for the year	(1,503,367)	(1,720,279)
Equity shares outstanding at the beginning and at the end of the year (Nos)	989,000	989,000
Nominal value of each share (in USD)	1	1
Basic and Diluted earning per share	(1.52)	(1.74)
Dilutive potential equity shares (Refer note below)	-	-
Weighted average number of equity shares/convertible instruments for Diluted EPS	989,000	989,000
Diluted Earning Per Share	(1.52)	(1.74)

Note

As per Ind AS 33 on Earnings per share, potential equity shares i.e. Preference shares are antidilutive in nature for the year ended 31 March 2020, therefore not considered in Diluted EPS computation

Sarlaflex, Inc
Notes Forming Part of Consolidated Financial Statements

26 Related party disclosures

1 **Relationships**
(a) Parent Company
Sarla Performance Fibers Limited

(b) Entities controlled by Key Managerial Personnel
M/s Sat Dham Industries Private Ltd
M/s Hindustan Cotton Co
Sarla Overseas Holding Limited
Sarla Europe, LDA

(c) Key Managerial Personnel
Krishna Jhunjhunwala - Managing Director

2 **Details of transactions with above related parties**

Amount in USD

Nature of Transaction	Holding Company		Entities controlled by Key Managerial Personnel		Key Managerial Personnel	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
(a) Unsecured loan converted into preference shares						
SarlaFlex Inc.	11,000,000					
(b) Unsecured Loan taken						
Sarla Overseas Holding Limited	400,000	3,151,500	-	-	-	

3 **Balances Outstanding**

Amount in USD

Nature of Transaction	Holding Company		Entities controlled by Key Managerial Personnel		Key Managerial Personnel	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2015	As at 31st March, 2020	As at 31st March, 2019
(a) Unsecured Loan taken						
M/s Sarla Performance Fibers Limited	330,015	11,330,015	-	-	-	-
Sarla Overseas Holding Limited	8,938,446	8,534,446				
(b) Unsecured Loan Given						
Sarla Europe, LDA	50,000	50,000	-		-	-

Notes:
(a) Sales, purchases and service transactions with related parties are made at arm's length price
(b) Amounts outstanding are unsecured and will be settled in cash or receipts of goods and services.
(c) No expense has been recognised for the year ended 31st March 2020 and 31st March 2019 for bad or doubtful unsecured loans in respect of amounts owed by related parties

27 Financial instruments

A Capital Management.

The Group manages its capital structure with a view to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 14) and total equity of the Group.

The Group's management reviews the capital structure of the Group on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Non-current borrowings	22,338,415	32,934,415
Current maturities of non-current borrowings		-
Current borrowings	-	-
Total Debt	22,338,415	32,934,415
Equity	(4,478,063)	(13,979,039)
Net debt to equity ratio	(4.99)	(2.36)

For the purpose of computing debt to equity ratio, equity includes Equity Share Capital and Other Equity and Debt includes Long term borrowings, short term borrowings and current maturities of long term borrowings.

B Financial Instruments-Accounting Classifications and Fair value measurements (Ind AS 107)

i) Classification of Financial Assets and Liabilities.

Amount in USD

Particulars	As at 31st March, 2020	As at 31st March, 2019
Financial assets		
At Amortised cost		
Investment	9,123,924	9,123,924
Cash and cash equivalents	91,950	252,801
Loans	691,153	691,153
Total	9,907,027	10,067,878
Financial liabilities		
At Amortised cost		
Borrowings	22,338,415	32,934,415
Other financial liability	-	113,333
Total	22,338,415	33,047,748

28 Financial risk management objectives (Ind AS 107)

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The key risks and mitigating actions are also placed before the Audit Committee of the Group.

The Group has exposure to the following risks arising from financial instruments:
A) Credit risk;
B) Liquidity risk;
C) Market risk; and
D) Interest rate risk

A Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from financial assets such as trade receivables, investments, derivative financial instruments, other balances with banks, loans and other receivables.

Trade and other receivables

Customer credit is managed by each business unit subject to the Group's established policies, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 0 to 180 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Group does not hold collateral as security. The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

The Group measures the expected credit loss of trade receivables based on historical trend, industry practices and the business environment in which the entity operates.

Other financial assets

The Group maintains exposure in cash and cash equivalents, term deposits with banks. The Group has diversified portfolio of investment with various number of counter-parties which have secure credit ratings hence the risk is reduced. Individual risk limits are set for each counter-party based on financial position, credit rating and past experience. Credit limits and concentration of exposures are actively monitored by the Management of the Group.

B Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by Group through effective fund management. The Group's principal sources of liquidity are cash and cash equivalents, borrowings and the cash flow that is generated from operations. The Group believes that current cash and cash equivalents, tied up borrowing lines and cash flow that is generated from operations is sufficient to meet requirements. Accordingly, liquidity risk is perceived to be low.

The following are the remaining contractual maturities of financial liabilities at the reporting date. Amounts disclosed are the contractual undiscounted cash flows.

Maturity analysis of significant financial liabilities

Amount in USD

Particulars	As at 31st March, 2020			As at 31st March, 2019		
	Carrying amount	Contractual cash flows		Carrying amount	Contractual cash flows	
		Upto 1 year	More than 1 year		Upto 1 year	More than 1 year
Financial liabilities						
Borrowings including Current Maturities of Long Term Debts	22,338,415		22,338,415	32,934,415		32,934,415
Other financial liabilities (including derivative financial instruments)			-	113,333		113,333
	22,338,415	-	22,338,415	33,047,748	-	33,047,748

C Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates. The Group's exposure to the risk due to changes in interest rates relates primarily to the Group's short-term and long term borrowings with floating interest rates. The Group constantly monitors the credit markets and revisits its financing strategies to achieve an optimal maturity profile and financing cost.

Interest Rate Exposure

Amount in USD

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Term loans - long term		
Fixed Rate Borrowings	9,468,415	20,064,415
Non Interest Bearing	12,870,000	12,870,000
	22,338,415	32,934,415

Interest rate sensitivities for floating rate borrowings :

Amount in USD

Movement in rate	Increase in Exchange rate by 0.25%		Decrease in Exchange rate by 0.25%	
Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Term loans - long term	-	-	-	-
Short term borrowings			-	-

Interest rate sensitivity has been calculated assuming the borrowings outstanding at the reporting date have been outstanding for the entire reporting period.

29 The Group has suspended its manufacturing operations since December 2017. The management is confident that with the recent trade sanctions being imposed in the US, the operations of the Group will be profitable. The management is monitoring the situation on a continuous basis and is confident that there would be no need for an impairment at this stage. Accordingly, the financial statements of the Group have been prepared based on 'going concern' assumption.