

INDEPENDENT AUDITOR'S REPORT

To the Members of
Sarlaflex Inc

Report on the Audit of the Consolidated Financial Statements

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 2022, 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, 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, 2022, 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 Indian Accounting Standards and same is fit for consolidation.

Basis for Opinion

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 opinion on Consolidated Financial Statements.

Material Uncertainty Related to Going Concern

We draw attention to Note No. 24 of the Consolidated Financial Statements, which indicates that the Group has suspended its manufacturing operations since December 2017 and the management is monitoring the situation on a continuous basis and exploring all options including sale of the undertaking on going concern basis. This indicates that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. The Group however has been provided all support from the Holding Company till final decision is taken in this regard. Also, valuation report for the unit indicates higher value than its carrying value, accordingly these financials statements have prepared on 'going concern' basis.

Our opinion on the Consolidated Financial Statements is not modified for the above matter.

Emphasis of Matter

We draw attention to our observations in above paragraph of '**Material Uncertainty Related to Going Concern**' whereby, in spite of facts mentioned therein, the Consolidated Financial Statements are prepared on 'Going Concern' basis.

Our opinion on the Consolidated Financial Statements is not modified for the above matter.

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.

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. (Also Refer 'Material Uncertainty Related to Going Concern' basis and Emphasis of Matter paragraph above). 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: 22037391AJNIBT1247



Place: Mumbai

Date: 24th May, 2022

Annexure A to the Audit Report:

Subsidiaries (held directly)

- a. Sarlalex LLC
- b. Sarla Estate LLC
- c. Sarla Leverage Lender LLC



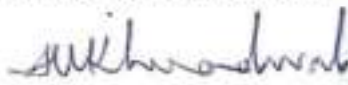
Sarflex, Inc.
Consolidated Balance Sheet as at 31st March, 2022

	Particulars	Note No	Amount in INR	
			As at 31st March, 2022	As at 31st March, 2021
I	ASSETS			
(1)	Non-current assets			
	(a) Property, Plant and Equipment	3	28,40,90,763	35,32,21,649
	<u>(b) Financial Assets</u>			
	(i) Loans	4	37,90,000	36,75,000
	Total Non-Current Assets		28,78,80,763	35,68,96,649
(2)	Current assets			
	(a) Inventories	5	12,72,29,004	12,33,68,493
	<u>(b) Financial Assets</u>			
	(i) Cash and cash equivalents	6	19,39,305	34,94,336
	(c) Other current assets	7	83,383	80,853
	Total Current Assets		12,92,51,692	12,69,43,681
	Total Assets		41,71,32,454	48,38,40,331
II	EQUITY AND LIABILITIES			
	Equity			
	(a) Equity Share capital	8	5,96,49,740	5,96,49,740
	(b) Other Equity	9	(37,92,05,995)	(28,70,45,643)
	Total equity		(31,95,56,255)	(22,73,95,903)
	Liabilities			
(1)	Non-current liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	10	72,91,78,187	70,38,18,728
	Total Non-Current Liabilities		72,91,78,187	70,38,18,728
(2)	Current liabilities			
	(a) Other current liabilities	11	75,10,519	74,17,506
	Total Current Liabilities		75,10,519	74,17,506
	Total Equity and Liabilities		41,71,32,454	48,38,40,331

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 KISHNA DWALA
Partner
Membership No. 37391



For and on behalf of the Board of Directors


KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)



Place: Mumbai
Date: 24th May, 2022

Sarlaflex, Inc.


Consolidated Statement of profit and loss for the year ended 31st March, 2022

		Amount in INR	
Particulars	Note No.	For the year ended 31st March, 2022	For the year ended 31st March, 2021
I Revenue from Operations	12	-	-
II Other income	13	2,15,567	3,50,01,556
III TOTAL INCOME (I+II)		2,15,567	3,50,01,556
IV Expenses			
a) Cost of materials consumed	14	(10,36,755)	8,51,942
b) Purchases of Stock-in-trade	-	-	-
c) Changes in inventories of finished goods and work-in-progress	15	(24,69,603)	20,29,370
d) Employee benefits expense	16	15,20,080	47,96,960
e) Finance costs	17	-	5,06,37,347
f) Depreciation and amortization expense	18	7,88,40,663	7,85,08,019
g) Other expenses	19	34,74,533	1,13,55,396
TOTAL EXPENSES (a to g)		8,03,28,919	14,81,79,029
V Profit/ (Loss) before tax (III - IV)		(8,01,13,352)	(11,31,77,473)
VI Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	3,51,70,800
VII Profit (Loss) for the period from continuing operations (V-VI)		(8,01,13,352)	(14,83,48,273)
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		(1,20,47,000)	63,95,722
Income tax relating to items that will be reclassified to profit or loss		-	-
Total (B)		(1,20,47,000)	63,95,722
Total Other Comprehensive Income for the period (A+B)		(1,20,47,000)	63,95,722
IX Total Comprehensive Income for the period (VII-VIII)		(9,21,60,352)	(14,19,52,551)
X Profit attributable to:			
Owners of the Company		(8,01,13,352)	(14,83,48,273)
Non-Controlling Interest		-	-
XI Other Comprehensive Income attributable to:			
Owners of the Company		(1,20,47,000)	63,95,722
Non-Controlling Interest		-	-
XII Total Comprehensive Income attributable to:			
Owners of the Company		(9,21,60,352)	(14,19,52,552)
Non-Controlling Interest		-	-
XIII Earnings per equity share			
- Basic and Diluted (Face value USD: 1)		(81.00)	(150.00)

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: 24th May, 2022

For and on behalf of the Board of Directors


KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)



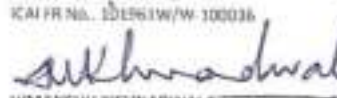
Sarflex, Inc.
Consolidated Statement of cash flows for the year ended 31st March 2022

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
A Cash flow from operating activities		
Profit before tax	(9,01,13,352)	(11,31,77,473)
Adjustments for:		
Finance costs		5,06,37,342
Depreciation and amortisation	7,88,40,663	7,85,08,019
Interest income		
Unrealised Foreign Exchange Gain/Loss (net)	1,52,483	64,69,307
Operating profit before working capital charges	(11,20,206)	2,24,37,195
Movements in working capital:		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(38,60,511)	31,72,332
Other financial assets		(54,13,275)
Other current assets	(2,510)	93,17,870
Adjustments for increase/(decrease) in operating liabilities:		
Other current liabilities	93,011	(9,75,729)
Cash generated from operations	(48,90,734)	2,25,38,393
Direct taxes paid (net)	-	-
Net cash generated from operating activities (A)	(48,90,734)	2,25,38,393
B Cash flows from investing activities		
Payment for property, plant and equipment	0	1,10,60,811
Proceeds from sale of investments		48,78,52,630
Loans Given		94,500
Other non-current assets		30,04,94,299
Non-current loans		
Net cash (used in) investing activities (B)	0	99,95,22,260
C Cash flow from financing activities		
Proceeds/repayment of borrowings	33,35,200	(97,48,1,104)
Finance Costs	-	(5,06,37,342)
Net cash (used in) financing activities (C)	33,35,200	(1,02,54,96,446)
NET INCREASE IN CASH AND CASH EQUIVALENTS [(A) + (B) + (C)]	(15,55,030)	(74,37,793)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
Balances with banks in current accounts, earmarked balances and deposit accounts	31,61,890	67,96,276
Cash on hand	1,32,446	1,25,851
CASH AND CASH EQUIVALENTS (Refer note 6)	34,94,336	69,32,127
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Balances with banks in current accounts, earmarked balances and deposit accounts	18,02,713	33,61,890
Cash on hand	1,36,590	1,32,446
CASH AND CASH EQUIVALENTS (Refer note 6)	19,39,303	34,94,336
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".		

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., 1D1961W/W-100036


HIMANSHU KISHNADWALA
Partner
Membership No. 37392



For and on behalf of the Board of Directors.


KRISHNAKUMAR JHUNJHUNWALA
Managing Director
(DIN: 00097175)



Place: Mumbai
Date: 31st Mar, 2022

Sarflex, Inc.
Consolidated Statement of changes in equity for the year ended 31st March, 2022

a. Equity Share Capital (note 8)

Particulars	Amounts in INR	
	Amount	
Balance as at April 1, 2020	5,96,49,740	
Changes in equity share capital during the year 2020-21	-	
Balance as at 31st March, 2021	5,96,49,740	
Changes in equity share capital during the year 2021-22	-	
Balance as at 31st March, 2022	5,96,49,740	

b. Other Equity (note 9)

Particulars	Instruments classified as 1% Non-Cumulative Redeemable Preference	Reserves and Surplus		Total Equity
		Foreign currency translation reserve	Retained earnings	
Balance as at April 1, 2020	78,24,85,000	(7,11,13,644)	(65,64,24,630)	(14,50,93,094)
Profit for the year 2020-21	-	63,95,722	(14,83,48,271)	(14,83,48,271)
Other comprehensive income for the year 2020-21 (net of tax)	-	63,95,722	-	63,95,722
Total comprehensive income for the year	-	63,95,722	(14,83,48,271)	(14,19,52,549)
Dividend	-	-	-	-
As at 31st March, 2021	78,24,85,000	(6,47,17,922)	(1,00,47,72,901)	(28,70,45,643)
Profit for the year 2021-22	-	(1,20,47,000)	(8,01,13,352)	(8,01,13,352)
Other comprehensive income for the year 2021-22 (net of tax)	-	(1,20,47,000)	-	(1,20,47,000)
Total comprehensive income for the year	-	(1,20,47,000)	(8,01,13,352)	(9,21,60,352)
Dividend	-	-	-	-
As at 31st March, 2022	78,24,85,000	(7,68,04,783)	(1,08,48,86,253)	(37,92,05,995)

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For C N K B. ASSOCIATES LLP

Chartered Accountants
ICAI Reg. No.: 101961W/W-100036


HIMANSHU KISHNAQIWALA
Partner
Membership No. 37391



Place: Mumbai
Date: 24th May, 2022

For and on behalf of the Board of Directors


KESHINAKAR HESARILALWALA
Managing Director
(DIN: 00097175)





Amount in INR

3 Property, Plant & Equipment										
	Gross Block	Land	Freehold Land	Buildings	Plant & Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2020	71,82,000	-	4,51,50,802	15,33,84,709	55,68,20,193	6,62,758	14,64,141	1,94,732	22,56,121	76,70,44,792
Additions	-	-	-	-	(37,34,051)	-	-	-	-	(37,34,051)
Deletions	(1,79,550)	-	(11,32,142)	(38,44,206)	(1,39,24,059)	(16,616)	(16,204)	(4,802)	(56,540)	(1,91,94,809)
Exchange Fluctuations	69,82,500	-	4,40,27,750	14,95,00,413	53,91,62,280	6,46,139	16,07,937	1,89,851	21,99,561	76,41,16,479
Balance as at March 31, 2021	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuations	2,18,500	-	13,77,739	48,78,244	1,68,71,748	20,219	44,058	5,941	68,830	2,12,85,219
Balance as at March 31, 2022	72,01,000	-	4,54,05,489	15,41,78,657	55,60,34,023	6,66,358	14,51,094	1,95,791	22,68,391	76,74,01,708
Accumulated Depreciation		Land	Freehold Land	Buildings	Plant & Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Balance as at April 1, 2020	-	-	1,79,48,700	42,94,667	29,79,40,347	6,58,004	14,44,141	1,44,788	22,56,121	33,47,74,948
Depreciation charge for the year	-	-	12,46,189	42,26,925	7,80,18,475	4,675	-	11,756	-	7,85,08,014
Destruction on deletion	-	-	-	-	(54,89,506)	-	-	-	-	(54,89,506)
Exchange Fluctuations	-	-	37,25,272	(63,34,500)	(81,25,190)	(16,540)	(16,204)	(4,802)	(56,540)	(82,48,512)
Balance as at March 31, 2021	-	-	2,79,20,167	41,87,001	35,91,64,125	6,46,139	14,07,937	1,49,851	21,99,561	70,68,94,880
Depreciation charge for the year	-	-	12,51,731	42,45,724	7,33,43,220	5,46,139	-	1,89,851	-	7,86,40,975
Destruction on deletions	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuations	-	-	50,56,582	(81,14,702)	1,24,94,559	20,219	44,058	5,941	68,830	1,35,71,912
Balance as at March 31, 2022	-	-	2,92,28,480	43,18,023	44,51,81,904	6,66,358	14,51,998	1,95,791	22,68,391	48,11,10,965
Net Book Value										
Balance as at 31st March, 2021	69,82,500	-	2,11,07,583	14,53,13,412	17,98,18,155	-	-	-	-	35,32,21,649
Balance as at 31st March, 2022	72,01,000	-	1,61,77,009	14,98,60,634	11,08,52,120	-	-	-	-	28,40,90,763



4 Non-current financial assets - Loans

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
At Amortised Cost		
Other loans and advance	37,90,000	36,75,000
Total	37,90,000	36,75,000
Breakup		
Loans considered good - Secured	-	-
Loans considered good - Unsecured	37,90,000	36,75,000
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	37,90,000	36,75,000

Note:

- (i) Other loans and advance includes loan amount Rs. 37,90,000 (as at 31st March, 2021: Rs. 36,75,000) is given to related party (Refer note 21)
(ii) The above loan given to step down subsidiary of Sarla Overseas Holdings Limited is without specifying any terms or period of repayment.

Amount of loans/ advances in the nature of loans outstanding

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Related Parties	37,90,000	100.00%	36,75,000	100.00%

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

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Raw Materials	1,41,67,827	3,31,31,072
Finished goods	8,13,89,531	7,83,19,328
Stores and Spares	6,47,559	6,27,811
Oil & Lubricants	18,49,832	17,93,703
Packing Materials	91,74,254	88,95,679
Total	12,72,29,004	12,35,68,493

Note:

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

6 Cash & cash equivalents

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Cash and Cash Equivalents		
Balances with Banks	18,02,719	31,61,890
Cash on Hand	1,36,590	1,37,446
Total	19,39,305	34,94,336

7 Other Current Assets

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
At Amortised Cost:		
Other receivable	83,383	80,853
Total	83,383	80,853



Equity
8 Equity Share Capital

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Authorised 9,89,000 (As at 31st March, 2021: 9,89,000) Equity Shares of USD 1 each	5,96,49,740	5,96,49,740
Issued, Subscribed and Paid up 9,89,000 (As at 31st March, 2021: 9,89,000) Equity Shares of USD 1 each	5,96,49,740	5,96,49,740
Total	5,96,49,740	5,96,49,740

Reconciliation of number equity shares:
Issued, subscribed and paid up share capital

	As at 31st March, 2022	As at 31st March, 2021
Opening Balance	9,89,000	9,89,000
Add / (less) Changes during the year		
Closing Balance	9,89,000	9,89,000

Shareholding of Promoters at the end of the year as follows:

S. No	Promoter Name	As at 31.03.2022		As at 31.03.2021		% change during the year
		No of shares	% of total shares	No of shares	% of total shares	
1	Sarla performance Fibers Limited	9,89,000	100%	9,89,000	100%	

Terms / Rights attached to Equity Shares

The company has only one class of equity shares having par value of USD. 1/- each (P.V. USD. 1/- each) holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	As at	
	31st March, 2022	31st March, 2021
Sarla performance Fibers Limited	9,89,000 100%	9,89,000 100%



1/1/22

9 Other Equity

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Instruments classified as Equity - 1% Non-Cumulative Redeemable Preference Shares	78,34,85,000	78,34,85,000
Retained Earning	(1,08,48,86,253)	(1,00,47,72,901)
Foreign Currency Translation Reserve	(7,68,04,743)	(6,47,57,742)
Total	(37,92,05,995)	(28,70,45,643)

Reconciliation of number Preference shares issued, subscribed and paid up share capital

	As at 31st March, 2022	As at 31st March, 2021
Opening Balance	11	11
Add / (Less): Changes during the year	-	-
Closing Balance	11	11

Shareholding of Promoters at the end of the year as follows:

S. No	Promoter Name	As at 31.03.2022		As at 31.03.2021		% change during the year
		No of shares	% of total shares	No of shares	% of total shares	
1	Sarla performance Fibers Limited	11	100%	11	100%	-

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

Shareholders	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Percentage	No. of Shares	Percentage
Sarla performance Fibers Limited	11	100%	11	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:

9.1 Instruments classified as Equity - 1% Non Cumulative Redeemable Preference Shares		
	As at 31st March, 2022	As at 31st March, 2021
Balance as at beginning of the year	78,24,85,000	78,24,85,000
Additions/ (Conversion)	-	-
Balance as at end of the year	78,24,85,000	78,24,85,000

9.2 Retained earnings		
	As at 31st March, 2022	As at 31st March, 2021
Balance as at beginning of the year	(1,00,47,72,904)	(85,80,14,192)
Adjustments	-	15,89,561
Profit for the year	(8,01,13,352)	(14,83,48,273)
Balance as at end of the year	(1,08,48,86,256)	(1,00,47,72,904)

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

9.3 Foreign Currency Translation Reserve		
	As at 31st March, 2022	As at 31st March, 2021
Balance as at beginning of the year	(6,47,57,743)	(7,11,53,464)
Adjustments	-	-
Exchange difference during the year	(1,20,47,000)	63,95,722
Balance as at end of the year	(7,68,04,742)	(6,47,57,743)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

10 Non -Current borrowings

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
At Amortised Cost		
Unsecured Loans - From others		
Other loans and advances	72,91,78,187	70,38,18,728
Total	72,91,78,187	70,38,18,728

(i) The above loan is taken from Sarla Performance Fibers Limited (Parent Company) and Sarla Overseas Holding Limited. It is interest free and it is without specifying any terms or period of repayment.

11 Other current liabilities

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Other statutory dues payable	32,97,571	31,97,513
creditors for expenses	42,12,949	38,64,615
Other liabilities	-	3,55,375
Total	75,10,519	74,17,506



Sarlaflex, Inc.
Notes to Financial Statements

12 Revenue From Operations

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Sale of Products/ Services	-	-
Other Operating Revenues	-	-
Total	-	-

13 Other Income

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Miscellaneous Income	2,15,567	2,97,81,271
Gain on disposal of property, plant and equipment	-	52,20,285
Total	2,15,567	3,50,01,556

14 Cost of material consumed

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Inventory at the beginning of the year	3,31,31,072	3,39,83,014
Add: Purchase	-	-
Less: Inventory at the end of the year	(3,41,67,827)	(3,31,31,072)
Total	(10,36,755)	8,51,942

15 Changes in inventories of finished goods and work in progress

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Closing stock		
Finished goods	8,13,89,531	7,89,19,928
Opening stock		
Finished goods	7,89,19,928	8,09,49,298
Total	(24,69,603)	20,29,370



16 Employee benefit expense

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Salaries, wages and bonus	14,09,969	45,60,425
Staff welfare expenses	1,10,111	2,36,535
Total	15,20,080	47,96,960

17 Finance cost

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Interest expenses	-	5,06,37,342
Total	-	5,06,37,342

18 Depreciation and amortization expense

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Depreciation on property, plant and equipment	7,88,40,675	7,85,08,019
Total	7,88,40,675	7,85,08,019

19 Other expenses

Particulars	Amount in INR	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Power and fuel	5,89,660	6,31,140
Rent	13,56,446	12,46,560
Repairs and Maintenance - Others	-	38,213
Insurance	7,06,738	19,44,424
Rates and taxes	35,868	19,56,365
Legal and professional fees	4,09,915	20,17,127
Bank Charges	1,52,315	2,36,855
Miscellaneous expenses	-	30,62,112
Payment to auditor: - Audit fee	2,23,590	2,22,600
Total	34,74,533	1,13,55,396



Sarilaflex, Inc.
Notes Forming Part of Consolidated Financial Statements

20 Earnings per share (EPS)

Particulars	For the year ended	
	31st March, 2022	31st March, 2021
Profit for the year	(8,01,13,352)	(14,83,48,273)
Weighted average number of Equity shares for basic earnings per share	9,89,000	9,89,000
Nominal value of each share (in USD)	1	1
Basic and Diluted earning per share	(81.00)	(150.00)



Sarilaflex, Inc.

Notes Forming Part of Consolidated Financial Statements

21 Related party disclosures

1 Relationships

(a) Parent Company

M/s Sarla Performance Fibers Limited

(b) Entities controlled by Key Managerial Personnel

Sarla Overseas Holding Limited

Sarla Europe, LDA

(c) Key Managerial Personnel

Krishna Jhonphumwala - Managing Director

2 Details of transactions with above related parties

Nature of Transaction	Amount in INR					
	Holding Company		Fellow Subsidiary		Key Managerial Personnel	
	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2021
(a) Unsecured Loan taken M/s Sarla Performance Fibers Limited Sarla Overseas Holding Limited	-	-	43,97,270	1,34,30,200	-	-
(b) Sale of Plant and Equipment/Spares Parts M/s Sarla Performance Fibers Limited	4,58,360	54,64,830				
(c) Adjustment on account of loans and debtors knock off M/s Sarla Performance Fibers Limited	-	54,64,830				

3 Balances Outstanding

Nature of Transaction	(Rs. in lakhs)					
	Holding Company		Fellow Subsidiary		Key Managerial Personnel	
	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2021	As at 31st March, 2022	As at 31st March, 2021
(a) Unsecured Loan taken M/s Sarla Performance Fibers Limited Sarla Overseas Holding Limited	1,94,32,467	1,88,42,828	69,45,89,207	67,02,79,281		
(b) Unsecured Loan Given Sarla Europe, LDA	-	-	37,90,000	36,75,000		
(c) Other Receivable M/s Sarla Performance Fibers Limited						

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, 2022 and 31st March 2021 for bad or doubtful unsecured loans in respect of amounts owed by related parties.

(d) There have been no guarantees received or provided for any related party receivables or payables.



Sarlaflex, Inc.

Notes Forming Part of Consolidated Financial Statements

22 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 10) 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:

Particulars	Amount in INR	
	As at 31st March, 2022	As at 31st March, 2021
Non-current borrowings	72,91,78,187	70,38,18,728
Total Debt	72,91,78,187	70,38,18,728
Equity	(31,95,56,255)	(22,73,95,903)
Net debt to equity ratio	(2.28)	(3.10)

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

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

i) Classification of Financial Assets and Liabilities:

Particulars	(Rs. in lakhs)	
	As at 31st March, 2022	As at 31st March, 2021
Financial assets		
At Amortised cost		
Cash and cash equivalents	19,39,305	34,94,336
Loans	37,90,000	36,75,000
Total	57,29,305	71,69,336
Financial liabilities		
At Amortised cost		
Borrowings	72,91,78,187	70,38,18,728
Total	72,91,78,187	70,38,18,728



23 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. Loss rates are based on actual credit loss experience and past trends.

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 un-discounted cash flows.

Maturity analysis of significant financial liabilities:

Particulars	As at 31st March, 2022			As at 31st March, 2021		
	Carrying amount	Contractual cash flows Upton 1 year	Contractual cash flows More than 1 year	Carrying amount	Contractual cash flows Upton 1 year	Contractual cash flows More than 1 year
Financial Liabilities						
Borrowings	72,91,78,187	-	72,91,78,187	70,38,18,728	-	70,38,18,728
	72,91,78,187	-	72,91,78,187	70,38,18,728	-	70,38,18,728

Amounts in INR

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 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:

Particulars	For the year ended		Amounts in INR	
	31st March, 2022	31st March, 2021	For the year ended	For the year ended
Non Interest bearing borrowings	72,91,78,187	70,38,18,727	72,91,78,187	70,38,18,727



- 24 The Group has suspended its manufacturing operations since December 2017. The management is monitoring the situation on a continuous basis and exploring all options including sale of the undertaking on going concern basis. The group has been provided all support from the Holding company till final decision is taken in this regard the company has also obtained valuation report for the unit which indicates higher value than its carrying value, accordingly these financials statesmen have prepared on 'going concern' basis.
- 25 **Other Amendments with respect to Schedule III**
1. The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
 2. The Company is not declared as wilful defaulter by any bank or financial institution or other lender.
 3. There is no Scheme of Arrangements approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013.
 4. The Company has no such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
 5. The Company have not traded or invested in Crypto currency or Virtual Currency during the year.
 6. The Company does not have any transactions with Companies struck off.
 7. The Company have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
 8. The Company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 9. The Company has complied with the requirement in respect of number of layers prescribed under Section 2(87) of the Companies Act, 2013 read with Companies (Restriction on number of Layers) Rule, 2017.

26 **Events after the reporting period**

No adjusting or significant non-adjusting events have occurred between the reporting date (31st March, 2022) and the report release date (24th May, 2022)



Sarlaflex, Inc.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st
MARCH 2022

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 as commission agents 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 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



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, 2022.
- 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, 2022 are as under:

Particulars	Country of Incorporation	Percentage of actual ownership interest as on	
		31 st March, 2022	31 st March, 2021
Subsidiary			
Sariaflex LLC	USA	100%	100%
Saria Estate LLC	USA	100%	100%
Saria Leverage Lender LLC	USA	100%	100%



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** The Impairment provisions for Financial Assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.
- 2.6.2** 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;
- 2.6.3** 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 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.



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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).



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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 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



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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



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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.



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