

# CNK & Associates LLP

Chartered Accountants

Ref: REF/CERT/C/132/26-27

To,  
The Board of Directors,  
Sarla Performance Fibers Limited  
Survey No. 59/1/4, Amla Piparia Industrial Estate,  
Silvassa - 396 230 (U.T. of Dadra & Nagar Haveli)

**Re: Statutory Auditor's Report in respect of proposed buyback of equity shares by Sarla Performance Fibers Limited (the "Company") in terms of Clause (xi) of Schedule I of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 as amended (the "Buyback Regulations")**

1. This report is issued in accordance with our engagement letter dated April 20, 2026.
2. The Board of Directors of the Company have approved a proposal for buyback of Equity Shares by the Company at its meeting held on May 11, 2026, in accordance with the provisions of Sections 68, 69 and 70 of the Companies Act, 2013, as amended (the "Act") and the Buyback Regulations.
3. We have been requested by the Management of the Company to provide a report on the accompanying "Statement of Permissible Capital Payment for the year ended March 31, 2026" ("Annexure A") (hereinafter referred to as the "Statement"). This Statement has been prepared by the Management, which we have stamped for the purposes of identification only.

#### Management's Responsibility

4. The preparation of the Statement in compliance with Section 68(2)(b) of the Act and Regulation 5(i)(b) of the Buyback Regulations the compliance with the Buyback Regulations is the responsibility of the Management of the Company, including the computation of the amount of the permissible the permissible capital payment, the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
5. As the Buyback Regulations and the Act do not define the term "insolvent", the Company has applied the guidance provided in paragraphs 25 and 26 of Ind AS 1, Presentation of Financial Statements, which relate to the assessment of the Company's ability to continue as a going concern for a period of one year from May 11, 2026. The Board of Directors are responsible to make a full inquiry into the affairs and prospects of the Company and to form an opinion as specified in clause (x) of Schedule I to the Buyback Regulations and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from May 11, 2026 (date of passing of the Board Meeting resolution).

#### Auditor's Responsibility

6. Pursuant to the requirements of the Buyback Regulations, it is our responsibility to provide a reasonable assurance that:
  - (a) we have inquired into the state of affairs of the Company in relation to the annual audited standalone and consolidated financial statements for the year ended and as at March 31,



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2026, which were approved by the Board of Directors of the Company at their meeting held on April 22, 2026.

- (b) the amount of permissible capital payment as stated in Annexure A, has been properly determined considering the annual audited standalone and consolidated financial statements for the year ended and as at March 31, 2026, in accordance with Section 68(2)(b) of the Act and Regulation 5(i)(b) of the Buyback Regulations; and
- (c) the Board of Directors of the Company, in their meeting held on May 11, 2026 have formed the opinion as specified in Clause (x) of Schedule I to the Buyback Regulations, on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent (as defined in Management Responsibility above) within a period of one year from the aforesaid date with regard to the proposed buyback approved at the Board meeting.
7. The annual standalone and consolidated financial statements referred to in paragraph 6 above, have been audited by us, and on which we have issued a qualified audit opinion dated April 22, 2026, which was qualified in respect of the recognition of loss amounting to ₹5,433.16 lakhs in the standalone financial statements and ₹7,713.26 lakhs in the consolidated financial statements on sale of 1% Non-Cumulative Redeemable Preference Shares held in the Company's wholly owned subsidiary, Sarla Flex Inc., pending receipt of necessary regulatory approvals. We have also relied upon the books of account and underlying records of the Company and representations provided to us by the Management. We conducted our audit of the annual standalone and consolidated financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit was not planned and performed in connection with any transactions to identify matters that may be of potential interest to third parties.
8. We conducted our examination of the Statement in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016), issued by the Institute of Chartered Accountants of India (the "Guidance Note") and Standards on Auditing specified under Section 143(10) of the Act, in so far as applicable for the purpose of this report. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements. Further our examination did not extend to any other parts and aspects of a legal or proprietary nature in the aforesaid Buyback.

#### Opinion

10. Based on inquiries conducted and our examination as above, we report that:

- (a) We have inquired into the state of affairs of the Company in relation to its annual audited standalone and consolidated financial statements for the year ended and as at March 31, 2026, which have been approved by the Board of Directors of the Company in their meeting held on April 22, 2026.
- (b) the amount of permissible capital payment towards the proposed buyback of equity shares as computed in the Statement attached herewith, as Annexure A, in our view, has been properly



determined in accordance with the Section 68(2)(b) of the Act and Regulation 5(i)(b) of the Buyback Regulations.

- (c) the Board of Directors of the Company, at their meeting held on May 11, 2026, have formed their opinion as specified in clause (x) of Schedule I to the Buyback Regulations, on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent (as defined in Management Responsibility above) within a period of one year from the aforesaid date of passing the Board Resolution dated May 11, 2026.

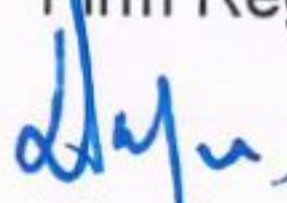
#### **Restriction on Use**

11. This report has been issued at the request of the Company solely for use of the Company:

- (a) In connection with the proposed buyback of equity shares of the Company as mentioned in paragraph 2 above;
- (b) To enable the Board of Directors of the Company to include in the Letter of Offer and other documents pertaining to the buyback to be filed with:
- i. The Registrar of Companies, the Securities and Exchange Board of India, stock exchanges, and any other regulatory authority as per applicable law; and
  - ii. the National Securities Depository Limited and Central Depository Services (India) Limited; and
  - iii. to share with the Manager to the buyback appointed by the Company, in connection with the proposed buyback of the Company's equity shares for onward submission to relevant authorities in pursuance to the provisions of Section 68 and other applicable provisions of the Act and the Buyback Regulations, and may not be suitable for any other purpose.

This report should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **C N K & Associates LLP**  
Chartered Accountants  
Firm Registration No.: 101961W/ W100036

  
Diwakar Sapre  
Partner

Membership No.: 040740  
UDIN:26040740EIHJMA9983



Place: Mumbai  
Date: May 11, 2026

### Annexure A - Statement of Permissible Capital Payments as at 31<sup>st</sup> March 2026

Computation of amount of permissible capital payment towards buyback of equity shares in accordance with the Section 68(2)(b) of the Companies Act, 2013 and read with Regulation 5(i)(b) of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended, based on the annual audited standalone and consolidated financial statements as at and for the year ended March 31, 2026.

(₹ in Lakhs)

Particulars	Amount as at March 31, 2026 (Standalone)	Amount as at March 31, 2026 (Consolidated)
Paid-up Equity Share Capital (A)	835.03	835.03
Free Reserves:		
Retained Earnings / Surplus	39,521.25	32,709.55
General Reserve	8,274.38	8,274.38
Securities Premium Account	4,529.00	4,529.00
Total Free Reserves (B)	52,324.63	45,512.93
Total Paid-up Equity Share Capital and Free Reserves (A+B)	53,159.66	46,347.96
(C)		
Maximum amount permissible towards buyback of equity shares in accordance with section 68(2)(b) of the Act and read with Regulation 5, Buyback Regulations (10% of the total paid-up equity capital and free reserves of Standalone and Consolidated Financial Statements) (10% of (C))	5,315.96	4,634.79
Maximum amount permissible for buyback lower of Standalone and Consolidated amounts		4,634.79

Notes:

- 1) The amount of paid-up equity share capital and free reserves as at March 31, 2026 have been extracted from the annual audited standalone and consolidated financial statements of the Company as at and for the year ended March 31, 2026.
- 2) As the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, as amended and the Act do not define the term "insolvent", the Company has applied the guidance provided in paragraphs 25 and 26 of Ind AS 1, Presentation of Financial Statements, which relate to the assessment of the Company's ability to continue as a going concern for a period of one year from May 11, 2026 as well as for a period of one year immediately following the date of passing of the Board Meeting resolution.

For and on behalf of **Sarla Performance Fibers Limited**

Krishna Jhunjhunwala  
Managing Director  
DIN: 00097175

Date: May 11, 2026



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

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

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

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