The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for eligible QIBs on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction outside India where such offer, sale or subscription is not permitted. It is being issued for the sole purpose of information or discussion with regards to the Equity Shares that may be Allotted through the Placement Document.

*Sarla Performance Fibers Limited (the "**Company**"), with Corporate Identity Number L31909DN1993PLC0000562596, incorporated in the Republic of India as a public company with limited liability under the Companies Act, 1956 ("Companies Act 1956").*

Our Company is issuing [●] equity shares of face value of Rs.10 each (the "Equity Shares") at a price of Rs. [●] per Equity Share (the "Issue Price"), including a premium of Rs. [●] per Equity Share, aggregating to Rs. [●] million (the "Issue").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED, ("ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER ("COMPANIES ACT 2013")

The Equity Shares are listed on BSE Limited (the "BSE") and National Stock Exchange of India Limited (the "NSE", together with the BSE, the "Stock Exchanges"). The closing price of the outstanding Equity Shares on the BSE and the NSE on October 17, 2014 was Rs. 369.00 and Rs. 368.00 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the equity listing agreement entered into by our Company with each of the Stock Exchanges ("Listing Agreement") for listing of the Equity Shares have been received from the BSE on October 20, 2014 and the NSE on October 20, 2014. Applications shall be made for obtaining the listing and trading approvals for the Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

OUR COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4) has been delivered to the Stock Exchanges and a copy of the Placement Document (which shall include disclosures prescribed under Form PAS-4) will be delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli ("RoC") and the Securities and Exchange Board of India (the "SEBI") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "RBI"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs (as defined below). This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC in India, will not be circulated or distributed to the public in India or outside India, and will not constitute a public offer in India or any other jurisdiction.

THE ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT 2013 AND THE RULES MADE THEREUNDER AND CHAPTER VIII OF THE ICDR REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND ONLY QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN REGULATION 2(1)(zd) OF THE ICDR REGULATIONS ("QIBs") ARE ELIGIBLE TO INVEST IN THIS ISSUE. THIS PLACEMENT DOCUMENT WILL BE CIRCULATED ONLY TO SUCH QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" ON PAGE 46 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THE PLACEMENT DOCUMENT.

Invitations for subscription of Equity Shares shall only be made pursuant to this Preliminary Placement Document together with the respective Application Form (as defined hereinafter). For further information, see the section "Issue Procedure" on page 162. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Company's prior consent to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act of 1933 ("U.S. Securities Act"), and will not be offered or sold within the United States (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) or any other jurisdiction, other than India. The information on our Company's website, any website directly or indirectly linked to our Company's website, or the website of the Book Running Lead Manager or their respective affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites.

Book Running Lead Manager
CENTRUM CAPITAL LIMITED

This Preliminary Placement Document is dated October 20, 2014

TABLE OF CONTENTS

NOTICE TO INVESTOR 4

REPRESENTATION BY INVESTORS 6

OFFSHORE DERIVATIVE INSTRUMENTS 11

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES 12

PRESENTATION OF FINANCIAL AND OTHER INFORMATION 13

EXCHANGE RATE INFORMATION 15

INDUSTRY AND MARKET DATA 17

FORWARD LOOKING STATEMENTS 18

ENFORCEMENT OF CIVIL LIABILITIES 20

GLOSSARY OF TERMS 22

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013 29

SUMMARY OF THE ISSUE 33

SUMMARY OF THE BUSINESS 36

SELECTED FINANCIAL INFORMATION OF OUR COMPANY 41

RISK FACTORS 46

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES 66

USE OF PROCEEDS 70

CAPITALISATION STATEMENT 71

CAPITAL STRUCTURE 74

DIVIDEND POLICY 75

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION 76

INDUSTRY OVERVIEW 94

BUSINESS 108

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL 122

ORGANIZATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS 135

OVERVIEW OF THE SUBSIDIARIES 143

REGULATIONS AND POLICIES 147

LEGAL PROCEEDINGS 153

ISSUE PROCEDURE 162

PLACEMENT AND LOCK UP 173

SELLING RESTRICTIONS 175

TRANSFER RESTRICTIONS 179

THE SECURITIES MARKET OF INDIA 180

DESCRIPTION OF THE EQUITY SHARES 183

TAXATION 186

GENERAL INFORMATION 198

FINANCIAL STATEMENTS 199

DECLARATION 270

NOTICE TO INVESTOR

We accept full responsibility for the information contained in this Preliminary Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries; we confirm that this Preliminary Placement Document contains all information with respect to our Company, our Subsidiaries and the Equity Shares which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company, our Subsidiaries and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, our Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company, our Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Manager has not separately verified all the information (financial, legal or otherwise) contained in this Preliminary Placement Document. Accordingly, neither the Book Running Lead Manager nor any of its members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Manager as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with our Company, our Subsidiaries and the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the Book Running Lead Manager nor on any person affiliated with the Book Running Lead Manager in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and our Subsidiaries and the merits and risks involved in investing in the Equity Shares. Any prospective investor should not construe anything in this Preliminary Placement Document as legal, business, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the Book Running Lead Manager. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the SEC, any other federal or state authorities in the U.S., the securities commission of any non-U.S. jurisdiction or any other U.S. or non U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the U.S. and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the Book Running Lead Manager which would

permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue related materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Please refer to the section titled *Transfer Restrictions* on page 179**.**

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Book Running Lead Manager is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations.

Each subscriber of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is a QIB as defined under the ICDR Regulations and is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 and that it is not prohibited by the SEBI or any other statutory, regulatory or judicial authority from buying, selling or dealing in securities. Each subscriber of Equity Shares in this Issue also acknowledges that it has been accorded an opportunity to request from our Company and review information relating to our Company and such Equity Shares.

The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person, other than QIBs (as defined in the ICDR Regulations) and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document agrees to observe restrictions contained in this Preliminary Placement Document, and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The information on our Company's website http://www.sarlafibers.com/, any website directly and indirectly linked to the website of our Company or on the website of the Book Running Book Running Lead Manager http://www.centrum.co.in/, or affiliates does not constitute nor form a part of this Preliminary Placement Document. The prospective investors should not rely on such information contained in, or available through, any such websites.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

REPRESENTATION BY INVESTORS

The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person, other than QIBs (as defined in the ICDR Regulations) and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document agrees to observe restrictions contained in this Preliminary Placement Document, and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

All references to "you" and "your" in this section are to the prospective investors in the Issue.

By subscribing to any Equity Share under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us and the Book Running Lead Manager, as follows:

- You are a QIB as defined in Regulation 2(1)(zd) of the ICDR Regulations, are not excluded pursuant to Regulation 86(1)(b) of the ICDR Regulations and have a valid and existing registrations under the applicable laws and regulations of India. You undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the ICDR Regulations and undertake to comply with the ICDR Regulations, the Companies Act and all other applicable laws, including any reporting obligations;

- If you are not a resident of India, but a QIB, you are an Eligible FPI or an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution or an FVCI, and are eligible to invest in India under applicable law, including FEMA 20, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities.

- You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws.

- If you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the Stock Exchanges (for the additional restrictions that apply if you are within the United States, please see the section of this Preliminary Placement Document entitled "*Transfer Restrictions*" on page 179);You have made, or been deemed to have made, as applicable, the representations set forth under the section "*Transfer Restrictions*" and "*Selling Restrictions*" on pages 179 and 175, respectively.

- You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, 2013, under the ICDR Regulations or under any other law in force in India. This Preliminary Placement Document has not been verified or affirmed by the RBI, SEBI or the Stock Exchanges, or any other regulatory or listing authority and is intended only for the use of the QIBs. This Preliminary Placement Document will not be filed with the ROC. This Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Company and the Stock Exchanges;

- You are entitled to subscribe for, and acquire, the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws, the necessary capacity and have obtained all necessary consents governmental and authorizations in each case which may be required thereunder and complied with all necessary formalities;

- You have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Preliminary Placement Document) and will honour such obligations;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("Company's Presentations") with regard to our Company, the Equity Shares or the Issue; or (ii) if you have participated in or attended any of our Company's Presentations: (a) you understand and acknowledge that the Book Running Lead Manager may not have knowledge of the statements that our Company or its agents may have made at such Company's Presentations and are therefore unable to determine whether the information provided to you at such Company's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Manager has advised you not to rely in any way on any information that was provided to you at such Company's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

- Neither we nor the Book Running Lead Manager nor any of its respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you, advising you regarding the suitability of any transactions you may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Book Running Lead Manager and that the Book Running Lead Manager has no duties or responsibilities to you for providing the protection afforded to its clients or for providing advice in relation to the Issue and is in no way acting in a fiduciary capacity to you;

- You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You or any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to our Company and/or the Book Running Lead Manager or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

- You are aware that if you are allotted more than 5% (five percent) of the Equity Shares in this Issue, our Company shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures and to any further disclosures as may be required to be made by the Company under applicable law;

- All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially

different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

- You have been provided a serially numbered copy of this Preliminary Placement Document and have read them in entirety, including, in particular, the section titled "*Risk Factors*" on page 46;

- You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;

- You have made, or been deemed to have made, as applicable, the representations set forth under the sections of this Preliminary Placement Document entitled "*Selling Restrictions*" on page 175 and "*Transfer Restrictions*" on page 179. You understand that the Equity Shares have not been and will not be registered under the Securities Act or within any securities regulatory authority of any state of the U.S. and accordingly, may not be offered or sold within the U.S., except in reliance on an exemption from the registration requirements of the Securities Act;

- That in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, the Equity shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) you have relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company or any other party; and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares and (vi) you have relied upon your own investigation and resources in deciding to invest in the Issue;

- The Book Running Lead Manager or our Company has not provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Manager or our Company or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the Book Running Lead Manager or our Company with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

- That where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- You are not a Promoter (as defined under the ICDR Regulations) of our Company or any of its affiliates and are not a person related to the Promoters, either directly or indirectly and your application made through your Application Form does not directly or indirectly represent the Promoters or Promoter Group of our Company or persons related to the Promoter;

- You have no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than the rights acquired in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

- You have no right to withdraw your Bid after the Bid Closing Date;

- You are eligible to apply and hold Equity Shares so Allotted together with any securities of our Company held by you prior to the Issue. You further confirm that aggregate your holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any regulation applicable to you;

- The Bid made by you would not at any stage, including upon conversion of some or all of the Equity Shares, directly or indirectly result in triggering a requirement to make public announcement to acquire Equity Shares in accordance with the Takeover Code;

- To the best of your knowledge and belief together with other prospective Investors in the Issue that belong to the same group or are under common control as you, your aggregate Allotment under the Issue shall not exceed fifty percent of the Issue. For the purposes of this representation:

(1) The expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956.

(2) 'Control' shall have the same meaning as is assigned to it by clause Regulation 2(1) (e) of the Takeover Code.

- You are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Listing Agreements, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made for an approval from each of the Stock Exchanges, and (ii) applications for the final listing and trading approvals shall be made to the Stock Exchanges after the Allotment of the Equity shares in the Issue for approvals for listing and admission of the Equity Shares to trading on the Stock Exchanges and there can be no assurance that such approvals will be obtained on time or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- You shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- You are aware and understand that the Book Running Lead Manager has entered into a Placement Agreement with our Company whereby the Book Running Lead Manager has, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and use their reasonable endeavors to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

- That the contents of this Preliminary Placement Document are exclusively the responsibility of our Company and that neither the Book Running Lead Manager nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Manager or our Company or any other person and neither the Book Running Lead Manager nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- That the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Book Running Lead Manager or our Company and the Book Running Lead Manager will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- That you shall comply with all applicable laws and regulations including making of necessary filings with any Governmental authority having jurisdiction with regard thereto;

- That each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment and listing and trading of the Equity Shares;

- You agree to indemnify and hold our Company and the Book Running Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- That our Company, the Book Running Lead Manager and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Book Running Lead Manager on its own behalf and on behalf of our Company and are irrevocable;

- That you are eligible to invest in India and in the Equity Shares under applicable law, including the FEMA 20, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI from buying, selling or dealing in securities;

- That you understand that the Book Running Lead Manager does not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

- That you are an investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution; In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares; and

- Any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of SEBI FPI Regulations, FPIs (other than Category III FPIs and those unregulated broad based funds which are classified as Category II FPIs (as defined in the SEBI FPI Regulations) by virtue of their investment manager being appropriately regulated unless such FPIs have entered into an offshore derivative instrument with an FII prior to January 7, 2014 or were registered as clients of an FII prior to January 7, 2014), including the affiliates of the Book Running Lead Manager, may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities, listed or proposed to be listed on any stock exchange in India, such as the Equity Shares in the Issue, for which they may receive compensation from the purchasers of such instruments. P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance of 'know your client' requirements. An FPI shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by an appropriate foreign regulatory authority. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Book Running Lead Manager do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Manager and do not constitute any obligations of or claims on the Book Running Lead Manager. Affiliates of the Book Running Lead Manager that are registered as FPIs or FIIs may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Placement Document;
- warrant that our Company's Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or
- take any responsibility for the financial or other soundness of our Company, the Promoters, the management or any scheme or project of our Company, and

it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors in the Issue, references to 'the Company' are to Sarla Performance Fibers Limited, and references to 'we', 'us', 'our' or 'our Company' are to Sarla Performance Fibers Limited and its Subsidiaries unless otherwise specified.

In this Preliminary Placement Document, all references to 'INR', "Rupees" and 'Rs.' are to Indian Rupees, the legal currency of India, all references to 'U.S. dollars', 'USD' and 'U.S.$' are to United States Dollars and all references to 'Euro', '€' are to the lawful currency of the member states of the European Union that adopted it as a single currency. All references herein to the 'U.S.' or the 'United States' are to the United States of America and its territories and possessions and all references to 'India' are to the Republic of India and its territories and possessions, all references herein to the 'Europe' are to the member states of the European Union and its territories and possessions and the 'Government' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable.

References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words "lakh" or "lac" mean "100 thousand" and the word "million" means "10 lakh" and the word "crore" means "10 million" or "100 lakhs" and the word "billion" means "1,000 million" or "100 crores".

The financial year of our Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year, so, unless otherwise specified or if the context requires otherwise, all references to a particular 'financial year', 'fiscal year', 'fiscal' or 'FY' are to the twelve month period ended on March 31 of that year.

Our Company publishes its financial statements in Indian Rupees. Our Company's financial statements included herein have been prepared in accordance with Indian GAAP and the Companies Act. Unless otherwise indicated, all financial data in this Preliminary Placement Document are derived from the Company's financial statements prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from International Financial Reporting Standards ("IFRS") and U.S. GAAP and accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in the Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting policies, Indian GAAP, the Companies Act, 1956 and Companies Act, 2013. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act, 1956 and the Companies Act, 2013 on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. Our Company does not provide a reconciliation of its financial statements to IFRS or U.S. GAAP financial statements.

The audited standalone financial statements of our Company and the audited consolidated financial statements of our Company as of and for the Financial Years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively as audited by M/s Sundarlal, Desai &Kanodia, Chartered Accountants, Mumbai and the unaudited financial results for the quarter ended June 30, 2014 reviewed by M/s Sundarlal, Desai &Kanodia, Chartered Accountants, Mumbai, prepared in accordance with Indian GAAP, are included in this Preliminary Placement Document and are referred to herein as the ***—Financial Statements***.

In this Preliminary Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Further, for the purpose of maintaining standardization in the presentation of data in this Preliminary Placement Document, figures and amounts have been reflected as "millions" and may have been subjected to rounding off adjustments upto three places. Unless otherwise specified, all financial

information appearing in this Preliminary Placement Document are consolidated figures and are amounts in million.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. (**Source**: *www.rbi.org.in*).

USD Exchange Rate

On October 17, 2014, the exchange rate (RBI reference rate) was Rs. 61.62 to US$ 1.00. (Source: www.rbi.org.in)

	Period End	**Average***	**High**	**Low**
Month ended:	(Rs. Per U.S.$1.00)			
September 30, 2014	61.61	60.86	61.61	60.26
August 31, 2014	60.47	60.90	61.56	60.43
July 31, 2014	60.25	60.06	60.33	59.72
June 30, 2014	60.09	59.73	60.37	59.06
May 31, 2014	59.03	59.31	60.23	58.43
April 30, 2014	60.34	60.36	61.12	59.65
Quarter ended:				
September 30, 2014	61.61	60.59	61.61	59.72
June 30, 2014	60.09	59.77	61.12	58.43
March 31, 2014	60.10	61.79	62.99	60.10
December 31, 2013	61.90	62.03	63.65	61.16
Financial Year:				
2014	60.10	60.50	68.36	53.74
2013	54.39	54.45	57.22	50.56
2012	51.16	47.95	54.24	43.95

*Average of the official rate of the each working day of the relevant period

No representation is made that the Rupee amounts actually represent such amounts in U.S. dollars or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

Source: Reserve Bank of India (www.rbi.org.in)

Euro Exchange Rate

On October 17, 2014, the exchange rate (RBI reference rate) was Rs. 78.89 to Euro €1.00. [*Source: www.rbi.org.in*]

	Period End	Average*	High	Low
Month ended:	(Rs. Per Euro €1.00)			
September 30, 2014	78.21	78.60	79.56	77.84
August 31, 2014	79.86	81.14	82.41	79.65
July 31, 2014	80.70	81.39	82.28	80.64
June 30, 2014	82.01	81.24	82.12	80.30
May 31, 2014	80.34	81.49	83.58	79.81
April 30, 2014	83.31	83.35	84.52	82.15
Quarter ended:				
September 30, 2014	78.21	80.33	82.41	77.84
June 30, 2014	82.01	81.94	84.52	79.81
March 31, 2014	82.58	84.63	86.17	82.58
December 31, 2013	85.36	84.48	85.55	82.78
Financial Year:				
2014	82.58	81.14	91.47	69.59
2013	69.54	70.07	73.13	67.01
2012	68.34	65.90	71.08	62.26

*Average of the official rate of the each working day of the relevant period

No representation is made that the Rupee amounts actually represent such amounts in Euro or could have been or could be converted into Euro at the rates indicated, any other rates, or at all.

INDUSTRY AND MARKET DATA

Information regarding market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Preliminary Placement Document consists of estimates based on data reports compiled by professional organizations, Governmental bodies and analysts and based on data from other external sources, and based on our knowledge of markets in which our Company competes. The statistical information included in this Preliminary Placement Document has been reproduced from various trade, industry and Government publications and websites. We confirm that such information and data has been accurately reproduced, and that as far as we are aware and are able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, Government bodies or other organisations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. Industry publications generally state that the information they generally contain has been obtained from sources believed to be reliable but that the accuracy and completeness of the information is not guaranteed.

Neither we nor the Book Running Lead Manager has independently verified this data and neither we nor the Book Running Lead Manager make any representation regarding the accuracy or completeness of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent source and we cannot assure potential investors as to their accuracy. Potential investors should not place undue reliance on such information forming a part of this Preliminary Placement Document.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward- looking statements.

All statements regarding our expected financial condition and results of operations, business plans, including potential acquisition and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause our actual results, performance or achievements to differ materially include, but are not limited, to those discussed under the chapters titled "*Risk Factors*" on page 46, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 76,"*Industry Overview"* on page 94 and *"Business"* on page 108.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to:

- General economic and business conditions in the markets in which we operate and in the local, regional, national and international economies;
- Changes in laws and regulations relating to the sectors/areas in which we operate;
- Increased competition in the sectors/areas in which we operate;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Changes in technology;
- Changes in political and social conditions in India or in countries where we operate, where our Subsidiaries or Joint Ventures have their operations or where we, our Subsidiaries or our Joint Ventures may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Any adverse outcome in the legal proceedings in which we or our Joint Ventures are involved.
- Changes in competitors' pricing, additional customer and other competitive strategies;
- Employee unrest or deterioration of relations with employees;

- Loss of any significant customers;
- Our dependence on, and ability to attract and retain qualified personnel and our senior management team;
- Our ability to successfully implement our strategy, growth and expansion plans;
- Our ability to generate and sustain other income and manage growth effectively;
- Our success in research and development in relation to new and value added products;
- Performance of the Indian and global equity and debt markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which we have operations;
- Changes in government policies and regulatory actions that apply to or affect our business;
- Our ability to compete effectively, particularly in new markets and business lines;
- Changes in foreign exchange control regulations in India; and
- Other factors beyond our control.

All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant statement. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by, and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Book Running Lead Manager or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company will ensure that investors in India are informed of material developments until the commencement of listing and trading of the Equity Shares offered and sold in the Issue. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All or a substantial number of the Directors and members of senior management of our Company are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to affect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908 (the "Civil Code"). Recognition and enforcement of foreign judgments is provided for under Section 13 of the Civil Code on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction.

However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties and is not applicable to arbitration awards.

The U.K., Singapore and Hong Kong have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A of the Civil Code but the U.S. has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the U.S. may be enforced only by a fresh suit upon the judgment and not by proceedings in execution.

Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy or that the court pronouncing the judgment is not a court of competent jurisdiction. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution of such foreign judgment and any such amount may be subject to tax in

accordance with applicable laws. Any judgment for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Our Company cannot predict whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

GLOSSARY OF TERMS

This Preliminary Placement Document uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act or regulation shall, unless the context otherwise requires, be to such legislation, act or regulation as amended as on the date of this Preliminary Placement Document.

Company Related Terms

Terms	Description
"Our Company" or "the Company" or "We" or "us" or "our"	Sarla Performance Fibers Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli
Articles/Articles of Association	Articles of Association of our Company, as amended
Auditors	The statutory auditors of our Company, being M/s. Sundarlal, Desai & Kanodia, Chartered Accountants, Mumbai (Firm registration no. 110560W)
Board of Directors/ Board	Board of Directors of our Company and any duly constituted committee thereof
Directors	Directors of our Company as may be appointed from time to time
Equity Shares	Equity Shares with full voting rights of our Company having face value of Rs.10/- each unless otherwise specified in the context thereof
Financial Statements	Our Company's audited consolidated and standalone financial statements for the Financial Year 2014, Financial Year 2013 and Financial Year 2012
Joint Ventures	The Joint Ventures entered into by our Subsidiary, SOHL: (i) Sarla Tekstil Filament Sanayi Ve Tic, (ii) MRK S.A. De C.V., and (iii) M/s. Savitex, S.A. De C.V.
Listing Agreements	Listing Agreement executed between our Company and the Stock Exchanges
Managing Director/ MD	Managing Director of our Company as per Section 2(54) in The Companies Act, 2013
Memorandum/ Memorandum of Association	Memorandum of Association of our Company, as amended
Promoter Group	Promoter group of our Company as defined in Regulation 2(1)(zb) of the ICDR Regulations
Promoters	The Promoters of our Company being (i) Mr. Madhusudan Jhunjhunwala and (ii) Mr. Krishnakumar Jhunjhunwala
Registered Office	The registered office of our Company located at Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, Union Territory of Dadra & Nagar Haveli,

	India
ROC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli
Sarlaflex	Sarlaflex Inc.
Shareholders	Persons holding equity shares of our Company, unless otherwise specified in the context thereof
SOHL	Sarla Overseas Holdings Limited
Subsidiaries	The subsidiaries of our Company: (i) Sarlaflex Inc. and its single member entities (a) Sarlaflex LLC, (b) Sarla Estate LLC and (c) Sarla Leverage Lender LLC, (ii) SOHL and its subsidiary, Sarla Europe LDA.

Industry Related Terms^

Terms	Description
FDY	Fully Drawn Yarn
FOY	Fully Oriented Yarn
LOY	Low Oriented Yarn
MW	Mega Watt
MOY	Medium Oriented Yarn
POY	Partially Oriented Yarn
TPA	Tons per Annum
WTG	Wind Turbine Generator

Issue Related Terms

Terms	Description
Allocated/Allocation	The allocation of Equity Shares pursuant to determination of Issue Price to QIBs on the basis of Application Forms submitted by them, in consultation with the Book Running Lead Manager and in compliance with Chapter VIII of the ICDR Regulations.
Application Form	The Form (including revisions thereof) pursuant to which a QIB shall submit a bid in the Issue.
Allot/Allotted/Allotment	Unless the context otherwise requires, the allotment of Equity Shares to successful QIBs pursuant to this Issue.

Allottees	QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue
Book Running Lead Manager	Centrum Capital Limited
Bidder	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
Bid(s)	An indication of interest by a QIB, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for Equity Shares in the Issue.
Bid/Issue Closing Date	[●], 2014. The date after which no applications will be accepted from QIBs
Bid/Issue Opening Date	October 20, 2014. The date from which applications will be accepted from QIBs
Bid /Issue Period	Period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective QIB investors can submit their Bids
CAN/Confirmation of Allocation Note	The note or advice or intimation of Allocation of Equity Shares sent to successful Bidders who have been allocated Equity Shares after determination and at Issue Price requesting payment for the entire applicable Issue Price for all Equity Shares allocated to such QIBs.
Closing Date	The date on which Allotment shall be made, i.e. on or about [•], 2014
Designated Date	The date of credit of the Equity Shares to the QIB's demat account, as applicable to the respective QIBs
Escrow Account	The account titled "Sarla Performance Fibers Limited – QIP Escrow Account", opened with the Escrow Bank for receiving the share application amount from the successful Bidders
Escrow Bank	IndusInd Bank Limited
Escrow Agreement	Agreement dated October 18, 2014, entered into amongst our Company, the Escrow Bank and the BRLM for collection of the share application amount and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor price	The floor price of Rs. 350.54 which has been calculated in accordance with the Chapter VIII of the ICDR Regulations. In terms of the ICDR Regulations, the Issue Price cannot be lower than the Floor Price, subject to discount of not more than 5% on the Floor Price which may be considered by our Company
GIR	General Index Register
Issue Price	The final price at which the Equity Shares will be Allotted to the QIBs
Issue Size	Issue of upto [•] Equity Shares of Rs. 10/- each to be issued to the QIBs at the Issue Price of Rs. [●] (including a premium of Rs. [●] per Equity Share) aggregating Rs. [●] million.
Issue/Placement	Issue of up to [•] Equity Shares of Rs. 10/- each to be issued to QIBs at the Issue Price of Rs. [●] (including a premium of Rs.[•] per Equity Share) aggregating Rs. [●] million, pursuant to Chapter VIII of the ICDR Regulations
Legal Counsel to the	Wadia Ghandy & Co. (Ahmedabad), Advocates & Solicitors

Issue	
Listing Agreement	The equity listing agreement entered into by our Company with each of the Stock Exchanges
Net Proceeds	The total proceeds of the Issue after deduction of the Issue expenses including fees, commissions and other expenses
Pay-in Date	The last date specified in the CAN sent to the successful Bidders for payment of share application monies by them
Placement Agreement	The placement agreement dated October 18, 2014 entered into between us and the Book Running Lead Manager.
Placement Document	The placement document to be issued in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the provisions of Regulation 84 in Chapter VIII of the SEBI (ICDR) Regulations.
Preliminary Placement Document	This preliminary placement document dated October 20, 2014 issued in accordance with Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.
Relevant Date	The date of the meeting in which the Board/committee thereof (duly authorised by our Board of Directors), decides to open the Issue

Conventional and General Terms/Abbreviations

Terms	**Description**
AGM	Annual General Meeting
AIF	An alternative investment fund (as defined under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012) registered with the SEBI under applicable laws in India
AS/Accounting Standards	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	BSE Limited
BVI	British Virgin Islands
CAFTA	Central America Free Trade Agreement
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services Limited
CAPEX	Capital Expenditure
CENVAT	Central Value Added Tax
CEO	Chief Executive Officer
CIN	Corporate Identification Number

Companies Act	Companies Act, 1956 and/or the Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956, as amended (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections) and the rules and regulations framed thereunder as are currently in force.
Companies Act, 2013	The Companies Act, 2013 (to the extent in force pursuant to the notification of the Notified Sections) and the rules and regulations framed thereunder as are currently in force
Category III FPI	A Foreign Portfolio Investor registered as a category III foreign portfolio investor under the SEBI FPI Regulations
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
DIN	Director Identification Number
DTA	Domestic Tariff Area
EBIDTA	Earnings Before Interest Depreciation Tax and Amortisation
EGM	Extra-ordinary General Meeting
EOU	Export Oriented Unit
EPS	Earnings per Share
Financial Year/FY	The twelve months ended March 31 of that particular year, unless otherwise stated
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FEMA 20	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FI	Financial Institution
FII(s)/Foreign Institutional Investors	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors Regulations, 1995) registered with SEBI under applicable laws in India
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPI	Foreign Portfolio Investor
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014

FVCI	Foreign Venture Capital Investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GAAP	Generally Accepted Accounting Practices
Government	Government of India, unless otherwise specified in the context thereof.
ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, including instructions and clarifications issued by the SEBI from time to time
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992
Kg.	Kilogram
Km.	Kilometres
Mutual Fund/MF	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
NAFTA	North America Free Trade Agreement
Notified Sections	The sections of the Companies Act, 2013 that have come into effect on August 30, 2013 and September 12, 2013
NR	Non Resident as defined under FEMA
NRIs	Non-Resident Indians, as defined under FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
I.T. Act	Income Tax Act, 1961, as amended
IAS	International Accounting Standards
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
LC	Letters of Credit
PAC	Persons acting in concern as defined under Regulaiton 2(q) of the Takeover Code
P-Note	Offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments

P/E Ratio	Price Earning ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PLI	Public Lending Institution
QFI	Qualified financial investor as defined under the SEBI FPI Regulations
QIB	A qualified institutional buyer as defined under Regulation 2(1)(zd) of the ICDR Regulations
QIP	A qualified institutions placement under Chapter VIII of the ICDR Regulations
R&D	Research and Development
RBI	Reserve Bank of India
RoC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli
Rs., Rupees or INR	Legal currency of India
SCRR	Securities Contract Regulation Rules, 1957
SE	Stock Exchanges
SEBI	The Securities Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992 as amended
SEC	U.S. Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
SENSEX	Index of 30 stocks traded on BSE representing a sample of large and liquid listed companies
Stock Exchanges	BSE and NSE
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, as amended
U.K.	United Kingdom
U.S./U.S.A/USA	United States of America

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided:

Sr. No.	Disclosure Requirements	Relevant page of this Pre-Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address website and other contact details of the Company indicating both Registered Office and corporate office.	272
b.	Date of incorporation of the Company.	198
c.	Business carried on by the Company and its subsidiaries with the details of branches or units, if any.	108
d.	Brief particulars of the management of the Company.	122
e.	Names, addresses, DIN and occupations of the Directors.	122
f.	Management's perception of risk factors.	46-65
g.	Details of default, if any, including the amounts involved therein, duration of default and present status, in repayment of:	
(i)	Statutory dues;	198
(ii)	Debentures and interest thereon;	198
(iii)	Deposits and interest thereon;	198
(iv)	Loan from any bank or financial institution and interest thereon.	198
h.	Names, designation, address and phone number, email ID of the nodal/compliance officer of the Company, if any, for the private placement offer process.	272
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of Board resolution.	33
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities.	33
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	33
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	33

e.	Name and address of the valuer who performed the valuation of the security offered.	Not applicable
f.	Amount which the Company intends to raise by way of securities.	33
g.	Terms of raising of securities:	33
(i)	Duration, if applicable;	Not Applicable
(ii)	Rate of dividend;	Not Applicable
(iii)	Rate of interest;	Not Applicable
(iv)	Mode of payment; and	171
(v)	Repayment.	Not Applicable
h.	Proposed time schedule for which the offer letter is valid.	24
i.	Purposes and objects of the offer.	70
j.	Contributions being made by the promoters or Directors either as part of the offer or separately in furtherance of such objects.	70
k.	Principle terms of assets charged as security, if applicable.	Not applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	
a.	Any financial or other material interest of the Directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	127-128
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree Company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	153
c.	Remuneration of Directors (during the current year and last three Financial Years)	126 - 127
d.	Related party transactions entered during the last three Financial Years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	260
e.	Summary of reservations or qualifications or adverse remarks of Auditors in the last five Financial Years immediately preceding the year of circulation of offer letter and their impact on the financial statements and financial position of the Company and the corrective steps taken and proposed to be taken by the Company for each of the	Nil

	said reservations or qualifications or adverse remark.	
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in case of the company and all of its subsidiaries. Also, if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the Company and all of its subsidiaries.	153
g.	Details of acts of material frauds committed against the Company in the last three years, if any, and if so, the action taken by the Company.	153
4.	FINANCIAL POSITION OF THE COMPANY	
a.	The capital structure of the Company in the following manner in a tabular form:	74
(i) (a)	The authorized, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	74
(b)	Size of the present offer; and	74
(c)	Paid up capital;	74
(A)	After the offer; and	74
(B)	After conversion of convertible instruments (if applicable);	Not Applicable
(d)	Share premium account (before and after the offer);	74
(ii)	The details of the existing share capital of the issuer Company in a tabular form, indicating therein with regard to each Allotment, the date of Allotment, the number of shares Allotted, the face value of the shares Allotted, the price and the form of consideration. Provided that the issuer Company shall also disclose the number and price at which each of the Allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case	74
b.	Profits of the Company, before and after making provision for tax, for the three Financial Years immediately preceding the date of circulation of the offer letter.	199
c.	Dividends declared by the Company in respect of the said three Financial Years; interest coverage ratio for the last three years (Cash profit after tax plus interest paid/interest paid).	75
d.	A summary of the financial position of the Company as in the three	41

	audited balance sheets immediately preceding the date of circulation of offer letter.	
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	41
f.	Any change in accounting policies during the last three years and their effect on the profits and reserves of the Company.	78
5.	**A DECLARATION BY THE DIRECTORS THAT**	
a.	The Company has complied with the provisions of the Companies Act and the rules made thereunder.	271
b.	The compliance with the Companies Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	271
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer Letter.	271

I am authorized by the Board of Directors of the Company vide resolution dated September 30, 2014 to sign this form and declare that all the requirements of the Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Date: October 20, 2014

Place: Mumbai

Attachments:

Copy of Board resolution

Copy of Shareholders resolution

Optional attachments, if any

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed terms appearing elsewhere in this Preliminary Placement Document, including under "Risk Factors", "Use of Proceeds", "Placement and Lock Up", "Issue Procedure" and "Description of Equity Shares".

Issuer	Sarla Performance Fibers Limited
Issue	Issue of [●] Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share, aggregating to Rs. [●] million
Issue Price	Rs. [●] per Equity Share
Issue Size	[●] Equity Shares aggregating to Rs. [●] million The Mutual Fund Portion, being a minimum of 10% of the Issue Size i.e. at least [●] Equity Shares shall be available for Allocation to Mutual Funds only, and [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such portion or part thereof may be Allotted to other QIBs.
Minimum Offer Size	The minimum value of offer or invitation to subscribe to each QIB is Rs. 20,000 of the face value of the Equity Shares.
Eligible Investors	A QIB as defined in Regulation 2(1)(zd) of the ICDR Regulations to whom this Preliminary Placement Document and the Application Form has been circulated and who are eligible to Bid and participate in this Issue. The list of QIBs to whom this Preliminary Placement Document and Application Form is delivered shall be determined by the Book Running Lead Manager, at its sole discretion.
Equity Shares outstanding immediately prior to this Issue	69,50,300 Equity Shares
Equity Shares issued and outstanding immediately after this Issue	[●] Equity Shares
Issue Procedure	This Issue is being made only to QIBs in reliance on Chapter VIII of the ICDR Regulations. See "*Issue Procedure*"
Floor Price	The Floor Price for this Issue calculated on the basis of Chapter VIII of the ICDR Regulations is Rs. 350.54 per Equity Share. In terms of the ICDR Regulations, the Issue Price cannot be lower than the Floor Price.

	Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the ICDR Regulations.
Listing	Our Company has made applications under Clause 24(a) of the Listing Agreement to each of the Stock Exchanges to obtain in-principle approvals for listing of the Equity Shares issued pursuant to this Issue and has received approval from each of the Stock Exchanges. Our Company will make applications to each of the Stock Exchanges after Allotment for final listing and trading approval of the same.
Lock Up	See "*Placement and Lock Up*" on page 173
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. See "*Transfer Restrictions*" for other transfer restrictions relating to offers and sales of the Equity Shares
Closing	The Allotment of the Equity Shares offered pursuant to this Issue shall be made on or about 74 (the "Closing Date")
Ranking	The Equity Shares being issued shall be subject to the provisions of our Company's Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The Shareholders of our Company (who hold Equity Shares as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, the Listing Agreement and other applicable laws and regulations. The Shareholders may attend and vote in Shareholders' meetings on the basis of one vote for every Equity Share held. See "*Description of Equity Shares*" on page 183 For Financial Year 2014, the Board has recommended a dividend of Rs. 7.50 per Equity Share which was approved by the shareholders of our Company in the AGM held on September 27, 2014. The dividend was paid to shareholders of our Company whose names stand recorded on the register of members after giving effect to all valid share transfers, if any, lodged with our Company / Registrar and Transfer Agent on or

	before September 22, 2014 and in respect of Equity Shares held in dematerialized form, the dividend was paid on the basis of beneficial ownership as on September 22, 2014.	
Voting Rights of Shareholders	See "*Description of Equity Shares – Voting Rights*"	
Dividends	See "*Description of Equity Shares – Dividend*"	
Indian Taxation	See *"Taxation"*.	
Use of Proceeds	The total proceeds from the Issue will be approximately Rs. [●]. After deducting the Issue expenses the net proceeds of the Issue will be approximately Rs. [●]. See the section "*Use of Proceeds*" for information regarding the use of net proceeds from the Issue.	
Risk Factors	See the section "*Risk Factors*" for a discussion of risks you should consider before investing in the Equity Shares.	
Pay-In Date	Last date specified in the CAN sent to the QIBs for payment of application money.	
Security Codes for the Equity	ISIN	INE453D01017
	BSE Code	526885
	NSE Code	SARLAPOLY

SUMMARY OF THE BUSINESS

The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Preliminary Placement Document, including the information contained in the chapter titled "Risk Factors", beginning on page 46 of this Preliminary Placement Document. In this section a reference to the "We", "us" and "Company" means Sarla Performance Fibers Limited.

We are a 100% EOU focused on manufacturing and export of specialty polyester and nylon textured, twisted and dyed yarns, covered yarns, high tenacity yarns and sewing thread. We believe that we are amongst the largest manufacturers of covered yarn in India and among few players globally catering to specialized yarns which are used in a variety of niche applications.

We commenced operations in 1995 as manufacturers of commodity yarns and gradually progressed to specialized and higher value added yarns in 2006. In consonance with such expansion from pure commodity yarns to specialized and higher value added yarns, we underwent a change of name from "Sarla Polyester Limited" to "Sarla Performance Fibers Limited". Our product portfolio evolved to include nylon textured/twisted and dyed yarn, sewing threads, rubber/spandex covered yarns and other value based products. We are listed on the BSE since 1995 and on the NSE since 2007.

With over two decades of involvement in the textile industry and physical presence in India, U.S. and Europe, we cater to over 116 customers across more than 40 countries. We believe that we have developed our reputation and image across a number of products in the domestic and international markets. We have been awarded 'Best Export Oriented Unit' (SSI Category – Textile & Textile Product) by Export Promotion Council for EOU & SEZ Units in 2005.

Our registered office is situated in Silvassa (Dadra and Nagar Haveli) with the corporate office located in Mumbai (Maharashtra). Our business comprises of two divisions, viz. (i) manufacturing and processing of synthetic yarn and (ii) wind power generation.

- **Manufacturing and Processing of Synthetic Yarn**

We have two manufacturing facilities in Silvassa (Dadra and Nagar Haveli) with a total installed capacity of 11,900 TPA for manufacture of polyester and nylon textured / twisted yarn, facilitated by an in-house dyeing facility at Vapi with an installed capacity of 3,200 TPA. We have also ventured into setting up our own manufacturing unit in USA in order to cater to the yarn requirements of our customers in the region. Based in Walterboro, South Carolina, this unit is involved in manufacturing of synthetic polyester yarn starting from the first stage of POY extrusion with a capacity of 30 tons per day. The total installed capacity of our U.S. plant is of approx. 9,900 TPA for manufacturing POY and textured polyester yarn each and 4,400 TPA for manufacturing twisted yarn. Our products include polyester, polyamide (nylon), texturized, twisted, dyed, medium/high-tenacity nylon/flat yarns, nylon/monofilament yarns, polyester/nylon, spandex/lycra yarn and dyed synthetics yarn. We believe that we are one of the pioneers from India to setup a textile manufacturing facility in the US. This has also enabled us to expand our product offering into furnishings, automotive and industrial markets. Our presence in international locations through our Subsidiaries and Joint Ventures helps us to reach the international clients and cater to the needs of Turkish, European and U.S. markets. We also have distribution facilities in Thailand and Vietnam.

- **Wind power generation**

Since 2010, our Company has also forayed into the business of wind power generation and has set up a separate division for the same. We commissioned our first WTG of 1.25 MW capacity in Baradiya, Gujarat in 2010 and further expanded in this sector by commissioning our second WTG of 2 MW capacity in Satara, Maharashtra in

2011 followed by setting up 2 more WTGs of 2 MW capacity each in Sangli, Maharashtra in 2012, taking our total wind power generation capacity to 7.25 MW.

I. OUR KEY COMPETITIVE STRENGTHS

We believe that we are well positioned to capitalize on growth opportunities in the textile sector, in India and overseas.

- **Proven capabilities and demonstrated operating track record**

  We believe that we are a well-established company in the yarn sector. With over two decades of experience we have progressed from being manufacturers of pure commodity yarns to specialized and higher value added yarns and have successfully evolved a product portfolio to include nylon textured/twisted and dyed yarn, sewing threads, rubber/spandex covered yarns and other value based products. We have been consistently working toward evolving a vast product portfolio. We emphasise our focus on high margin value added products viz. specialised polyester and nylon yarns. We believe we are amongst a few players globally catering to specialised yarns – used in a variety of niche applications. Our recent pilot project on Nylon 66, a high tenacity and lower shrinkage yarn is a result of our innovation and research and development process. We believe that our experience, combined with the years spent on research and development will give us an edge over our competitors after success of this new product.

- **Focused marketing thrust and proximity to customers**

  We value our customers and endeavor to build a strong relationship with them. We design the products to suit specific needs of our customers in line with change in trends. We have acquired various orders from reputed global customers. We have a relationship of five years and above with our top five customers from whom we get repeat orders for their requirements in India and overseas in some cases. This customer trust has been built on the foundation of our commitment to quality, providing end to end solution from design to delivery and our professional approach. We have set up warehouses in the vicinity of and proximate locations to, our large customer which enables us to cater to them just in time as per their requirements. This gives us visibility and contributes significantly towards expanding and deepening our relationships with the customer. We emphasize on providing innovative solutions to our customers and nurture relationships to drive our business growth. We have been able to retain our customers and have grown along with them.

- **Multi-geographical presence to serve key international markets**

  We have established a global clientele through our multi-geographical presence. Presently, we serve, through our Subsidiaries and Joint Ventures, customers from over 40 countries directly across six continents. Our Subsidiary SOHL established in the BVI (directly and through its subsidiaries and joint ventures) serves as marketing arm for our Company and has strong relations in the Asian, European and South American market. Similarly, having established a direct manufacturing facility in the U.S. through our Subsidiary, Sarlaflex, we have become compliant yarn makers in the U.S. permitting us to supply anywhere in the NAFTA and CAFTA region. This gives us a substantial benefit as apparels, inner wear and hosiery made from compliant yarn do not attract any duty. Most of the decision making process of leading global apparel players is handled in the U.S. We are able to provide the same yarn quality to our customers in the western hemisphere through our U.S. facility and in the eastern hemisphere through our Indian facility. Presence of manufacturing and distribution hub in close proximity to demand centers globally helps us in providing seamless services to our customers. We believe we are one of the few Indian manufacturers of polyester filament yarn to be directly present in NAFTA and CAFTA region and we are well positioned to be a preferred supplier to global manufacturers.

- **Superior products engineered to customers' needs**

  We manufacture a wide range of products which are engineered and designed to provide a complete package as per the requirements of the customer. Our emphasis is to focus on niche end user applications and higher value added yarns. We customize the products as per the specifications of our customers. This enables us to meet their specific requirements including density, tenacity shades etc. thereby ensuring long term relationship with our customers

- **Integrated production facilities and efficient operations**

  Our manufacturing facilities at Silvassa and Vapi are integrated and self-sufficient. The raw materials involved in our manufacturing process at Silvassa are readily available. Further output from the Silvassa unit serves as a raw material to our Vapi unit. To facilitate our power needs, we have also set up the WTG in, Gujarat where the power generated is primarily used for captive consumption by our Vapi unit. This integration is cost effective for our Company and results in optimum utilization of resources.

- **Low leverage – India Textile business has 'Zero ' Long Term Debt**

  We are extremely low leveraged with our Indian business having about "Zero" long term debt for our textile assets. Our Debt/equity ratio for F.Y. 2014 was 1.38 on a consolidated basis and 0.83 on a standalone basis. Our Long term debt/equity ratio for F.Y. 2014 was 0.94 on a consolidated basis and 0.13 on a standalone basis (on account of loan for wind power business). This gives us an edge over most players in similar sector. Our Company has endeavored to exercise prudence in its CAPEX and has kept the investments gradual yet steady. Consequently, the debt in our Company is low. A large proportion of operating cash flows are deployed back into the business in an endeavor to enhance productivity, efficiency and profitability.

- **Limited sensitivity to market fluctuations**

  Our Company does not cater to retail customers and serves primarily to the business segment. Our goods form a small part of our clients' cost structure so our Company is able to pass on the inflationary pressure when needed and is not sensitive to market fluctuations.

- **Healthy Performance Indicators**

  After establishing a strong foundation, our Company has taken the leap towards striving for growth which is evidenced from the following indicators:

(Amount: Rs. in million except per share data)

Period	March 31, 2014	March 31, 2013	March 31, 2012	CAGR %
Sales	2618.24	2586.95	2226.48	8.44
EBIDTA	575.25	476.09	345.10	29.08
Net Profit	321.49	279.78	189.16	30.36
Book Value (per share)	243.37	204.97	179.00	-
Dividend Payout (%)	16.21	14.90	18.40	-

Based on consolidated financial statements

- **Quality Policy**

We are an ISO 9001:2008 certified company and have also been granted the Oeko-tex Standard 100 to use the Oeko-tex marks in May 28, 2014. Further, all of our manufacturing facilities and processes are in compliance with Annex XVII of REACH (Regulation of the European Union, adopted to improve protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the European Union chemicals industry) as per European Union requirements and standards as well as the American requirement regarding the total content of lead in articles made for children.

- **Expertise of our senior management**

As our Company is the flagship business of our Promoters who are mainly engaged in this line of business through our Company for over the past many years, they possess immense knowledge and expertise in this sector. We believe that the skills, industry and business knowledge and operating experience of our Promoters and senior executives provides us with a significant competitive advantage as we seek to expand in our existing markets and enter new geographic markets and lines of business. Our employees contribute significantly to our business operations. See section titled "*Management*" on page [•] for details of our key employees.

II. OUR BUSINESS STRATEGIES

- **Expansion of our capacities**

We are in the process of stable expansion and have formulated an expansion programme for increase in the manufacturing capacity in the U.S. to meet the potential international demand. We intend to optimize our US facility by increasing current capacity utilization from ~30% to 100% going forward. Apart from this, there are plans, though not completely formulated currently, to expand the installed capacity of the POY and set up manufacturing capability of fully drawn yarn. We also intend to upgrade our existing manufacturing facilities in India.

- **Strive on Value Addition:**

We intend to strive for development of value added and specialty products that cater to niche end use applications. Focus on value-addition and introduction of a host of new speciality products will facilitate higher margins and better a growth in realisations. Having built the foundation followed with a strong yet stable expansion drive, we have now reached a stage where our capacities and internal capabilities provide us with the ability to stress on value addition under different market conditions. We intend to concentrate on only value addition, high margin products (specialized yarn) in India going forward along with presence in commodity yarn in the U.S. With the prevalence of technical textiles for industrial applications in India, the demand drivers for Company's product would get further strengthened in future.

- **Continuous Innovation for high value products:**

We recognize the importance of continued innovation in our products to cater to the needs of various customers. As part of our efforts, our qualified research team has been continuously working towards enhancing the utility and features of our existing products and creates new products customized for our diverse groups of users based on their geographic location and other criteria. We have ventured on pilot basis into manufacturing of specialty yarn Nylon 66 for which we have commissioned an installed capacity of 450 TPA at our Silvassa facility. Nylon 66 is a high tenacity and lower shrinkage yarn product which being niche and specialized in nature yields substantially high margins. We seek to focus on

manufacture of products that are high quality and specialized products that are used in high end products ranging from parachutes to swimwear. We seek to maintain and strengthen our position amongst leading manufacturer of specialty yarn and to have success in production in Nylon 66 for desired quality and quantity in India. We have further enhanced our position as manufacturer of POY by stabilizing and growing our US manufacturing facility.

- **Global business strategy and product offering:**

  We currently have presence in 3 continents viz. Asia, America and Europe through our Subsidiaries and Joint Ventures. We believe that we are among the pioneers from India to realize the growing demand of compliant yarn in North America and have set up a manufacturing facility there. Our customer base is spread over 40 countries across the continents. We intend to cater to a large customer base around the world through our presence. We believe that we are uniquely positioned to gain market share in both Polyester and Nylon fibers through our global business strategy and product offering. We intend to further position our Company as a global brand and build a business model without borders. We strategically locate our warehouses closer to client location to enable just-in time delivery model. We wish to deepen our reach in European and Asian market through sales agents, joint ventures and also capture the growing opportunity in the South American market through our Portuguese subsidiary.

- **Focus on catering to sectors which requires enhanced applications of specialized yarn**

  It is our Company's endeavour to constantly develop new value added products and finishes to capture our customers' requirements. We have continuously strived to cater products which have niche end applications. Our products are currently used for application in narrow fabrics, hosiery applications, medical bandages, knitted and denim fabrics, leather goods, soft luggage, automotive seat belts and trims, automotive air bags, upholstery etc. We intend to focus on such sectors which require enhanced applications of specialized yarns. Accordingly in our yarn segment we propose to focus on products such as high tenacity, low shrinkage, covered spandex and lycra yarns. In our threads segment, our main focus is to develop the market for value added segments such as automobiles, premium footwear and business, high end apparel and embroidery business.

- **Striving for higher revenues from the existing customers**

  We have longstanding relationship with some textile majors globally. We have been serving most of our key clients for over five years. We intend to further strengthen our association with them and strive to cater to most of their requirements in future thereby procuring higher revenue from repeat customers.

- **Maintain a sustainable and diversified business model**

  Our objective has been to create a sustainable and diversified business model in order to increase shareholder value and grow our revenues. We continue to follow the strategy for growth focused on innovation for high margin value added product and focus on international expansion. In order to accomplish this, we have incorporated subsidiaries to serve regions of U.S. and Europe, where we perceive opportunities for future growth and development. We intend to further expand our global presence and will evaluate potential opportunities to grow our business and expand our capabilities and/or geographical reach. We believe this strategy will mitigate our reliance on the growth of any one particular product, country or region from one or few customers and will complement our business and provide us with growth opportunities.

SELECTED FINANCIAL INFORMATION OF OUR COMPANY

The following summary financial information and other data should be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our financial statements, including the notes thereto, and the reports thereon, which appear in the section "Financial Statements". The summary financial information set forth below is derived from the audited consolidated financial statements as of and for the years ended March 31, 2012, 2013 and 2014, respectively, prepared in accordance with Indian GAAP.

There have been no qualifications / adverse remarks made by our Auditors in the last five years.

The following summary financial information and other data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes thereto, and the reports thereon, which appear in the section "Financial Statements". The summary financial information set forth below is derived from the audited consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012, respectively, prepared in accordance with Indian GAAP.

CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Particulars	Note No.	31st March 2014	31st March 2013	31st March 2012
EQUITY AND LIABILITIES:				
(1) Shareholder's Funds				
- Share Capital	1	69.50	69.50	69.50
- Reserves and Surplus	2	1,622.01	1,355.13	1,174.62
		1,691.51	**1,424.64**	**1,244.12**
(2) Non-Current Liabilities				
- Long-Term Borrowings	3	1,290.67	371.08	76.80
- Deferred Tax Liabilities (Net)	4	150.49	139.97	112.26
- Other Non Current Liabilities	5	34.05	36.95	-
		1,475.21	**548.00**	**189.06**
(3) Current Liabilities				
- Short-Term Borrowings	6	742.14	701.11	547.50
- Trade Payables	7	189.32	114.85	219.48
- Other Current Liabilities	8	469.88	227.85	160.18

- Short-Term Provisions	9	65.18	92.43	43.18
		1,466.52	1,136.24	970.33
TOTAL		**4,633.24**	**3,108.87**	**2,403.52**
ASSETS:				
(1) Non-Current Assets				
- Fixed Assets				
(i) Tangible Assets	10	1,961.03	1,021.75	823.26
(ii) Intangible Assets	11	-	-	-
(iii) Capital Work-in-Progress		8.78	265.52	-
- Long Term Loans and Advances	12	69.82	113.52	96.44
- Non-Current Investments	13	548.26	-	-
		2,587.88	**1,400.78**	**919.70**
(2) Foreign Currency Monetray Item Translation Difference Account		24.67	3.89	-
(3) Current Assets				
- Current Investments	14	-	28.19	14.63
- Inventories	15	708.06	606.99	541.88
- Trade Receivables	16	755.46	583.51	645.28
- Cash and Cash Equivalents	17	368.49	218.44	125.27
- Short-term Loans and Advances	18	150.28	208.56	133.36
- Other Current Assets	19	38.39	58.51	23.40
		2,020.68	**1,704.19**	**1,483.82**
TOTAL		**4,633.24**	**3,108.87**	**2,403.52**
Significant accounting policies and Notes on financial statements	1 to 40			

CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS

(Rs. in millions except for EPS)

Particulars	Notes	Current Year March 31, 2014	Previous Year March 31, 2013	Previous Year March 31, 2012
Income:				
Revenue from operations	20	2,713.47	2,665.76	2,279.86
- Less: Excise duty		95.24	78.81	53.38
		2,618.24	2,586.95	2,226.48
Other income	21	107.86	8.14	13.04
		2,726.10	**2,595.08**	**2,239.52**
Expenses:				
Cost of materials consumed	22	1,292.01	1,215.47	1,168.25
Purchase of stock-in-trade		145.43	191.03	170.31
Changes in inventories of finished goods and work-in-progress	23	(58.25)	(30.55)	(127.38)
Employee benefit expenses	24	121.69	52.65	48.60
Finance costs	25	43.77	43.47	29.72
Depreciation and amortization expenses	10 & 11	110.07	82.24	80.45
Other expenses	26	649.97	690.41	634.64
		2,304.69	**2,244.71**	**2,004.60**
Profit before tax		421.40	350.37	234.93
Tax expense:				
- Current tax (MAT)		89.40	52.90	30.80
- Less: MAT Credit		-	8.26	4.28
- Net Current Tax		89.40	44.85	26.58
- Deferred tax		10.51	27.71	20.02
- Tax adjustment of earlier years		-	(1.96)	(0.83)
Profit for the period		321.49	279.78	189.16
Earning per equity share:				
- Basic		46.26	40.25	27.22
- Diluted		46.26	40.25	27.22

CONSOLIDATED SUMMARY CASH FLOW STATEMENT

(Rs. in millions)

Particulars	March 31, 2014		March 31, 2013		March 31, 2012	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
CASH FLOW FROM THE OPERATING ACTIVITIES						
Net Profit Before Tax and Extraordinary items		**421.40**		**350.38**		**234.93**
ADJUSTMENT FOR						
Depreciation	110.07		82.24		80.45	
Interest Paid	68.61		56.94		38.93	
Interest Received	(24.83)		(13.48)		(9.21)	
Capital Gain/Loss on Sale of Investment/Assets	(5.83)		0.05		(3.10)	
Dividend Received	(44.17)	**103.84**	(1.35)	**124.41**	(0.31)	**106.76**
Operating Profit Before Working Capital Changes		**525.25**		**474.79**		**341.69**
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL						
Trade & Other Receivable	(171.95)		61.78		(137.23)	
Inventories	(101.07)		(65.12)		(104.15)	
Loans & Advances	126.64		(153.15)		(68.20)	
Trade & Other Payable	84.63		5.68		(17.13)	
Foreign exchange fluctuation	(20.78)	**(82.53)**	-	**(150.81)**	-	**(326.70)**
Cash Generated From Operations		**442.71**		**323.98**		**14.99**
Prior Period Expenses/Extra Ordinary Items	-		-		(25.49)	
Income Tax Paid	(93.94)		(50.76)		-	
Deferred Tax Liabilities	-	**(93.94)**	-	**(50.76)**	-	**(25.49)**
Net Cash Flow from Operating Activities (1)		**348.77**		**273.22**	0	**(10.50)**
					0	
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets	(800.12)		(546.26)		(117.91)	
Purchase Of Investment	(520.07)		(13.56)		(14.63)	
Dividend Received	44.17		1.35		0.31	
Gain on Sale of Investment/Assets	12.94		0.05		3.10	
Sale of Investment	0		-		9.64	
Interest Received	24.83	**(1,238.24)**	13.48	**(545.04)**	9.21	**(110.29)**
Net Cash Flow from Investing Activities (2)		**(1,238.24)**		**(545.04)**		**(110.29)**
CASH FLOW FROM FINANCING ACTIVITIES						
Preferential Warrants Issued					186.314	
Net Fund Raised/(Repayment)	1,190.01		462.32		(31.28)	
Dividend Paid	(81.88)		(34.75)		(5.20)	

Dividend Tax Paid	-		(5.64)		(38.93)	
Interest Paid	(68.61)	**1,039.52**	(56.94)	**364.99**	-	**110.92**
Net Cash Raised From Financing Activities (3)		**1,039.52**		**364.99**		**110.92**
Net Changes in Cash & Cash Equivalent (1+2+3)		**150.06**		**93.17**		**(9.88)**
Cash And Cash Equivalent - Opening Balance		**218.44**		**125.27**		**135.14**
Cash And Cash Equivalent - Closing Balance		**368.49**		**218.44**		**125.27**

RISK FACTORS

Any investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations, financial condition and prospects. If any of the following or any other risks actually occur, our business, results of operations, financial condition and prospects may be adversely affected and the price and value of your investment in the Equity Shares may decline, and you may lose all or part of your investment. The financial implications of risks, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial implications are not quantifiable and, hence, have not been disclosed. Unless otherwise stated, the financial information used in this section is derived from our audited consolidated financial statements prepared under Indian GAAP. Prospective investors are advised to consult their independent tax, financial and legal advisors about the particular consequences of an investment in the Equity Shares.

MATERIALITY

The Risk Factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

1. Some events may not be material individually but may be found material collectively.
2. Some events may have material impact qualitatively instead of quantitatively.
3. Some events may not be material at present but may be having material impacts in future.

INTERNAL RISK FACTORS

Risks related to our Company, our Business and our Industry

1. Our Company being a manufacturing unit is subject to various employment and labour related regulations, non-compliance of which may have adverse effects.

Our Company being a manufacturing unit is subject to various employment and labour related regulations, such as the Factories Act, 1948, the Employee State Insurance Act, 1948 etc. (for details please refer to Chapter titled "Regulations and Policies" on page 147 which *inter alia* require our Company to procure certain registrations and maintain records and registers and file certain prescribed returns. For the period up to April, 2014, the corporate office of our Company at Mumbai was not registered under the Employee State Insurance Act, 1948, however, we have now complied with the requirement and necessary contributions in that regard have also been paid. Any non-compliance with the requirements to maintain the registers or file returns may lead to imposition of penalties or other punishments on our Company.

Further, we engage contract labourers for performance of many of our unskilled or semi skilled operations. We are registered as a principal employer under the Contract Labour (Regulation and Abolition) Act, 1970, and we shall apply for a renewal of this registration at the appropriate stage. However, any delay or non receipt of this registration may adversely affect our ability to employ contract labour for our operations. Some of the contractors through whom we engage the contract labourers do not possess registration under the Contract Labour (Regulation and Abolition) Act, 1970 and this may make our Company and officers in default liable for penalties and other punishments. Further, if any contractor does not pay wages or provide amenities as stipulated by the Contract Labour (Regulation and Abolition) Act, 1970, we as principal employer would be liable to provide the same to the contract labourer.

2. **Listed companies are required to adhere to several stringent regulations, compliances and disclosures, any non-compliance of which may result in sanctions and penalties.**

Listed companies are subject to numerous stock market regulations, such as the Listing Agreement entered into by our Company with the recognized stock exchanges and SEBI regulations, including the Takeover Code and the Insider Trading Regulations, in order to ensure transparency and investor protection. These regulations impose a number of compliance and disclosure obligations on a listed company, its promoters and directors and any non-compliance of the same attracts penalties and/or sanctions. There are certain instances where our Company, our promoters and Directors have not complied with all the applicable disclosure requirements (for instance certain delayed filing/ non-filing under Regulation 13(6) of the Insider Trading Regulation, certain delayed filings under Regulation 30(a) with respect to change in directorate under the Listing Agreements, certain delayed filings in quarterly reporting under Regulation 35(b) of the Listing Agreements) in an efficient and timely manner, which may result in imposition of penalties and/or sanctions on our Company, our promoters or Directors, as the case may be.

3. **Stringent environmental, health and safety laws and regulations or stringent enforcement of existing environmental, health and safety laws and regulations may result in increased liabilities and increased capital expenditures.**

Our operations are subject to environmental, health and safety and other regulatory and/or statutory requirements and licenses in the jurisdictions in which we operate. Our Company has not obtained the consent to establish and operate under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 for its windmill operations, and the same may lead to penalties and other punishments may be imposed on our Company.

Further, our operations, especially with regard to our dyeing processes, may generate significant amounts of pollutants and waste, some of which may be hazardous. Though we endeavor to ensure that the hazardous wastes are treated through effluent treatment plants, the discharge, storage and disposal of such hazardous wastes are subject to environmental regulations. Non-compliance with these regulations, which among other things, limit or prohibit emissions or spills of toxic substances produced in connection with our operations, could expose us to civil penalties, criminal sanctions and revocation of key business licenses. Stringent statutory and/or regulatory requirements in connection with environment, health and safety in India are likely to result in increased environmental capital expenditures and costs for environmental compliance. In addition, due to the possibility of unanticipated regulatory or other developments, the amount of future environmental expenditures may vary widely from those currently anticipated. Any environment related investments/expenditure may reduce funds available for other investments.

4. **We require certain approvals and are required to make certain filings with the RBI for our investment in our Subsidiaries and Joint Ventures, any non-compliance of which may result in penalties or other punishments**.

Our Subsidiaries and Joint Ventures are situated abroad and for the purposes of investments in them, there are certain approvals that are required from the RBI and certain annual filings that are required to be made with the RBI. There are also certain reporting requirements with the RBI pursuant to setting up of step-down subsidiaries by our Subsidiaries. There are certain instances of non-filing or delayed filing by our Company of the annual reporting and the reporting to be made pursuant to any disinvestment in a subsidiary, which may result in imposition of penalties or other punishments on our Company.

5. Any unfavorable outcome in legal proceedings initiated against us may adversely affect our business, operations and profitability.

There are certain legal proceedings currently outstanding involving our Company, our Promoters, our Directors, our Subsidiaries and our Joint Ventures. Our Company is involved in certain legal proceedings and claims in relation to certain corporate and taxation matters incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable to liabilities/penalties. For details in this regard, please refer to page 153 (*Legal Proceedings).*

Classification of material legal proceedings instituted against our Company are given in the following table:

Type of legal proceedings	***Total number of pending cases / show cause notices***	***Financial Implications (to the extent quantifiable, being express amounts claimed) (Rs. in million)***
Civil- Excise duty: based on classification of goods	1	13.46
Civil- Custom and Excise Duty: based on alleged diversion of imported goods without payment of custom and excise duty	1	75.39
Civil- Custom and Excise Duty: based on alleged diversion of goods cleared for export	1	4.59
Civil- Custom and Excise Duty: show cause notice for excise duty and education cess payable on clearance of Nylon Filament Yarn of 210 Denier	13	124.97

6. Fluctuating prices of raw materials and any decrease in the supply of our raw materials may affect our operations.

We procure raw materials, i.e., polyester POY, nylon chips and nylon POY etc. from domestic and international markets at the existing market rates. Material price of our raw material is primarily based on international crude oil prices since the chips are made from crude oil. The prices of these materials are also subject to fluctuations owing to changes in demand supply forces which are not within our control. Increase in prices shall lead to an increase in cost of production, thereby increasing the cost of our final product. This would have an adverse impact on our business, financial conditions and results of operations.

Any material shortage or interruption in the domestic supply or deterioration in quality of raw material due to natural causes or other factors could result in increased costs and inability to meet our commitments. In

case we are unable to pass on the impact of major price fluctuations to our customers, it may have an impact on our profit margins and adversely affect our business, financial conditions and results of operations.

7. We depend on certain key customers, and our business and financial conditions may be adversely affected if we are unable to retain these customers.

Our business depends on our relationships with a number of key customers. Our top ten customers have contributed to approximately 50% of our revenue from manufacturing operations in India for the Financial Year ended on March 31, 2014. There can be no assurance that we will be able to retain these customers. If one or more of these key customers are unable or unwilling to continue their business relationships with us and we are unable to build strong relationships on similar scale with new customers, our business may be affected and our financial condition and results of operations may be adversely affected. Any deterioration in our relationship with any of them (unless we are able to build or consolidate our relationship with new customers) would have a significant adverse impact on our business, financial condition and results of operations. Some of our products are in the nature of commodity products facing highly competitive conditions and are extremely price sensitive. Therefore any major fluctuations in prices of our products can adversely affect our competitiveness and lead to loss of customers to our competitors.

8. We are present in several countries through various alliances with entities located abroad. In case of adverse international business environment in those countries our business may suffer adversely.

We are present in several countries, through our Subsidiaries and Joint Ventures located in these countries. Our future revenue growth depends upon the successful continued expansion of our sales, marketing support and service teams in various countries around the world where our current or potential customers are located. Due to the global nature of our operations, we are affected by various factors inherent in international business activities like political stability, economic stability, our understanding of the local business policies and practices, restrictions on repatriation of earnings, tariffs and restrictions on trade, multiple or overlapping tax structures etc. One or more risks could have a material adverse effect on our business, financial condition and results of operations.

9. Our revenues are concentrated in the U.S.A. and Europe. Economic slowdowns, fluctuations in the textile market and other factors that affect the economic health of U.S.A and Europe may affect our business.

We rely significantly on the export of our products to the U.S. and Europe. The export from Indian operations to the U.S, Middle East. and Europe have contributed to about 57% of our total export in the Financial Year ended on March 31, 2014. Accordingly, we are particularly prone to any fluctuations in the textiles market in the U.S. and Europe and the overall health of their economies. The textiles market in the U.S. and Europe may be affected by a number of factors outside our control, including local and economic conditions, changes in demand and supply for products comparable to those that we develop, and changes in government regulations. A slowdown could adversely affect our business and results of operations including our ability to implement our strategy. The economy of USA and Europe could be affected by adverse economic and/or geopolitical factors affecting the growth of industrial, manufacturing and services sectors.

10. Our inability to implement our proposed expansion plan could adversely affect our growth and future profitability.

We intend to expand our manufacturing facilities at U.S. and undertake upgradation at our Silvassa facility.. Our ability to successfully implement our proposed expansion plan is subject to a variety of risks, including construction delays, material shortages, unanticipated cost increases, inability to negotiate satisfactory

arrangements with suppliers, non-availability of adequate funds and the required personnel and other risks, and there can be no assurance that our proposed expansion plan will be completed in a timely manner or at the cost levels anticipated by our Company. Moreover, the overall profitability and success is subject inter-alia to the following factors:

- obtaining any further necessary statutory and/or regulatory approvals in a timely manner or at all;
- our ability to effectively obtain, retain and motivate appropriate managerial talent;
- our ability to effectively absorb additional infrastructure costs; and
- our ability to develop new expertise and undertake new risks, and other factors applicable at the time.

Further, we cannot assure that debt or equity financing or our internal accruals will be available or sufficient to meet the funding of our growth plans. Our ability to obtain required capital on acceptable terms is subject to a variety of uncertainties, including limitations on our ability to raise additional debt. Any inability to raise sufficient capital to fund our projects could have a material adverse effect on our business, growth and future results of operations. In the event our Company is unable to successfully execute the aforesaid expansion plans or realize the benefits expected upon its completion, our profitability, financial condition and results ofoperations expected from growth could be materially adversely affected.

11. We are dependent on key managerial personnel and the loss of such key managerial persons and/or our inability to retain such talented professionals in the future, could affect us adversely.

Our Company believes that its success depends on its continued ability to retain and attract skilled and experienced executive personnel. While our Company has retained its key management personnel in the past, should it fail to retain them in future, it may find it difficult to find suitable replacements with similar knowledge and experience. Our Company is dependent on its ability to identify, hire, train, manage and retain skilled technical and management personnel and it may face a risk in realizing its business objectives in the event of attrition of key managerial personnel.

12. The competitive nature of the textile industry may result in lower prices for our Company's products and decrease profit margins.

Our industry is highly competitive. The quota system on textiles established by the World Trade Organization was eliminated as of January 1, 2005, which created tremendous competition in the textile industry, and, consequently, the dynamics of the industry are changing. This has resulted in an increased level of competition in both the domestic and global markets Though there are no direct competitors in our specialized range of products, we face competition from domestic and international textile companies with regard to texturised/ twisted yarn, covered yarns and sewing threads. Many of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. Due to the commodity nature of certain saleable yarn and fabric products the primary competitive factors include price, quality, flexibility of production and finishing, deliver time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. In this environment, our Company may face pressures from its customers on pricing, order size, product quality and the timing of deliverables, which could result in reduced profit margins in the future.

13. We do not have any long term written agreements with our vendors and customers

We do not have any long term written/formal agreements with our vendors and operate on a purchase order system. We place orders to domestic and international suppliers at prevailing market rates. Similarly we have not entered into any formal agreement with our customers. We have a relationship of five years and

above with our top five customers from whom we get repeat orders for their requirements in India and overseas in some cases. This customer trust has been built on the foundation of our commitment to quality, providing end to end solution from design to delivery and our professional approach. Due to the absence of any formal contract with our vendors, we are exposed to the risks of irregular supplies or no supplies at all, defective supplies. Similarly, the absence of any formal contract with our customers may expose us to the risks of excess inventory or under utilization of capacity.

14. We may fail in our research and development efforts to innovate value added products

Our emphasis has been to focus on niche end user applications, higher margin value added yarns to leading global apparel brands and companies. The man-made fiber and technical textile industry of which we form a part are substantially dependent on research and development to create better quality products for meeting the growing demands of the customers. Our future success is substantially dependent on the research and development undertaken by us and the expertise of our research team. We have recently commenced manufacture of Nylon 66 yarn at Silvassa on pilot basis. Nylon 66 is high tenacity and lower shrinkage yarn, which is a highly specialized product and is a result of our innovation and research and development process. Being a niche product on its own, it provides higher margins. Failure in our research and development efforts would have an adverse impact on our business, financial conditions and results of operations.

15. Changes in technology may render our current technologies obsolete and require us to make substantial capital investments.

Modernization and technology upgradation is essential to reduce costs and increase the output. Our technology and machineries may become obsolete or may not be upgraded timely, hampering our operations and financial conditions and we may lose our competitive edge. Although we believe that we have installed the latest technology and that the chances of a technological innovation are not very high in our sector we shall continue to strive to keep our technology, plant and machinery in line with the latest technological standards. In case of a new found technology in the textile processing business, we may be required to implement new technology or upgrade the machineries and other equipment's employed by us which may involve cost to our Company.

16. Our manufacturing activities are dependent upon availability of skilled and unskilled labour.

Our manufacturing activities are dependent on availability of skilled and unskilled labour. Non-availability of labour at any time or any disputes with them may affect our production schedule and timely delivery of our products to customers which may adversely affect our business and result of operations.

17. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our workers or any other kind of disputes with our workers.

We employ significant number of workers at our units. Though at present we enjoy a good relationship with our employees and have not faced any labour unrest till date, we are unable to assure you that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may lead to strikes, lock-outs or increased wage demands. Such issues could have adverse effect on our business, and results of operations.

18. We have not entered into any technical support service agreements for the maintenance and smooth functioning of our equipment's and machineries, which may affect our performance.

Our manufacturing processes involve daily use of technical equipments and machineries. They require periodic maintenance checks and technical support in an event of technical breakdown or malfunctioning. Our Company has not entered into any technical support service agreements with any competent third party and the same is carried out in-house. Our failure to retain efficient technical support staff with our Company may reduce the downtime in case such events occur may adversely affect our productivity, business and results of operations.

19. We have in past entered into related party transactions and may continue to do in future.

We have entered into related party transactions in the past in the course of our business. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved the same on more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we may enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For further details, please refer to "Related Party Transactions" on page 260.

20. We have not yet applied for registration of our name and logo. We may be unable to adequately protect our intellectual property. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.

We have not yet applied for registration of our name and logo under the provisions of the Trademarks Act, 1999 and do not own any trademark in relation to our Business as on date. As such, we do not enjoy the statutory protections accorded to a registered trademark as on date. There can be no assurance that we will be able to register our trade name, brand name or the logo in future or that, third parties will not infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Further, we cannot assure you that any application for registration of our trademark in future by our Company will be granted by the relevant authorities in a timely manner or at all.

21. We require certain approvals, licenses, registrations and permits for our business, and the failure to obtain or renew them in a timely manner may adversely affect our operations.

Our Company requires certain statutory and regulatory registrations, licenses, permits and approvals for our business. In future, we shall be required to renew such registrations and approvals and obtain new registrations and approvals for any proposed operations, including any expansion of existing operations. While we believe that we will be able to renew or obtain such registrations and approvals, as and when required, there can be no assurance that the relevant authorities will renew or issue any such registrations or approvals in the time frame anticipated by us or at all. Failure to obtain and renew such registrations and approvals with statutory time frame attracts penal provisions. If we are unable to renew, maintain or obtain the required registrations or approvals, it may result in the interruption of our operations and may have a material adverse effect on our revenues, profits and operations and profits.

Further, certain statutory licenses and approvals which we have obtained for the purpose of carrying our business contain terms and conditions/covenants, which are to be adhered to by our Company. In case our Company defaults in complying with the said terms and conditions/ covenants, we may be subjected to penal provisions and it may also lead to the cancellation of such licenses and approvals, which will adversely affect our business, financial conditions and results of operations.

22. Our failure to accurately forecast and manage inventory could result in an unexpected shortfall and/or surplus of products, which could have a material adverse impact on our profitability.

We monitor our inventory levels based on our projections of future demand. Our inventory ratio was 4.00, 4.47 and 4.31 during Financial Year ended on March 31, 2014, Financial Year ended on March 31, 2013 and Financial Year ended on March 31, 2012 respectively. An inaccurate forecast of demand for any product can result in the unavailability/surplus of products. This unavailability of products in high demand may depress sales volumes and adversely affect customer relationships. Conversely, an inaccurate forecast can also result in an over-supply of products, which may increase costs, negatively impact cash flow, reduce the quality of inventory, erode margins substantially and ultimately create write-offs of inventory. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition.

23. We have limited ability to influence prices in the markets for our products and generally are not able to protect our market position for these products by product differentiation and may not be able to pass on the cost increases to our customers.

Increase in raw material and other costs may not necessarily correlate with changes in prices for our products, either in the direction of the price change or in magnitude. Specifically, timing differences in pricing changes between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated only monthly, quarterly or less often, sometimes with an additional lag in effective dates for increases, have had in the past and may continue to have a negative effect on our profitability. Significant volatility in raw material costs tends to put pressure on product margins, as sales price increases generally tend to lag behind raw material cost increases. Conversely, when raw material costs decrease, customers start seeking relief in the form of lower sales prices immediately. There can be no assurance that decreases in the average selling prices of our products will not have a material adverse effect on our business, financial condition and results of operations. While we strive to maintain or increase our profitability by reducing costs, these efforts may not be sufficient to offset the effect of declining prices on operating results.

Competition from existing and new yarn manufacturers could drive prices for our products lower. Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new products pricing strategies by competitors, changes in consumer preferences and general economic, political and social conditions in the countries in which we do business. Our competitors may have greater resources than us and/or they may benefit from government-sponsored programs that subsidize their production costs or provide them with marketing or other advantages. If we are unable to respond effectively to these competitive pressures, our competitors may be able to sell their products at prices lower than our prices, which would have an adverse effect on our market share and results of operations.

24. Our operations are subject to high working capital requirements. Our inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, or at all, to meet our requirement of working capital or pay our debts, could adversely affect our operations, financial condition and profitability.

We require substantial amounts of working capital for our business operations and the failure to obtain needed working capital on attractive terms or at all, may materially and adversely affect our growth prospects and future profitability. As on March 31, 2014, we have utilized working capital of an amount of Rs. 742.14 million, on a consolidated basis. We require substantial capital to maintain and operate our production facilities. We also require significant amounts of capital to market and distribute our products, develop new products and enhance existing products. To the extent these expenditures exceed our cash

resources; we will be required to seek additional debt or equity financing. Our ability to obtain additional financing on favorable commercial terms or at all will depend on a number of factors, including:

- Our future financial condition, results of operations and cash flows;
- Covenants and restrictions in existing debt;
- General market conditions for financing activities by textile manufacturers; and
- Economic, political and other conditions in the markets where we operate.

Any new borrowings could include terms that restrict our financial flexibility, including the debt we may incur in the future, or may restrict our ability to manage our business as we had intended. If we are unable to renew existing funding or obtain additional funding in a timely manner or on acceptable terms, our growth prospects, competitive position and future profitability could be materially and adversely affected.

25. We do not own the premises where our corporate office is located.

We do not own the premises on which our corporate office is situated and operate from rented premises. For our Corporate Office, we have entered into a leave and license agreement with Hindustan Cotton Company on October 11, 2014 for a period of 36 months expiring on September 30, 2017. The leave and license agreement is renewable at the option of both the parties at such rates as may be agreed. If the agreement under which we occupy the premises is not renewed or is renewed on terms and conditions that are unfavorable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business and operations.

26. Any default under financing arrangements could result in enforcement of security provided which in turn could adversely affect our business, results of operations and financial conditions.

The lands on which most of our manufacturing facilities are situated and other fixed assets at our manufacturing facilities, have been provided as security under various financing arrangements executed by us. Any default under such financing arrangements could result in enforcement of such security provided which in turn could adversely affect our business, results of operations and financial conditions.

27. Major lenders to our Company will continue to have considerable influence over our Company's business and our Company's indebtedness could adversely affect its financial condition and results of operations.

Our Company has entered into financing agreements that grant to the various lenders certain control over how our Company is operated. Most of these financing arrangements are secured by substantially all of the assets of our Company. Pursuant to some of these agreements, our Company requires the consent of the lenders to undertake significant actions, including, among other things, to assume additional debt, alter our Company's capital structure, change the beneficial ownership or control of our Company, enter into any merger or amalgamation, make capital expenditures on new projects, transfer or change the key managerial personnel, change our Company's constitutional documents and declare or pay dividends.

Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements and may adversely affect our ability to conduct our business and operations or implement our business plans. We have applied for consents from all our lenders for the proposed Issue and have received the same except in case of Andhra Bank where the consent is still awaited, however as on date there are no amounts outstanding with Andhra Bank.

28. Any prolonged business interruption at our manufacturing facilities could have a material adverse effect on the results of our operations and profitability.

Any material interruption at our manufacturing facilities, including but not limited to power failure, fire and unexpected mechanical failure of equipment's, could reduce our ability to meet the conditions of our contracts and earnings for the affected period. Irregular or interrupted supplies of power or water, electricity shortages or government intervention, particularly in the form of power rationing are factors that could adversely affect our daily operations. If there is an insufficient supply of electricity or water to satisfy our requirements or a significant increase in electricity prices, we may need to limit or delay our production, which could adversely affect our business, financial condition and results of operations. We cannot assure you that we will always have access to sufficient supplies of electricity in the future to accommodate our production requirements and planned growth. Similarly, there is no assurance that those of our manufacturing facilities unaffected by an interruption will have the capacity to increase their output to manufacture products for the affected manufacturing facilities, to the extent that all outstanding orders will be filled in a timely manner. In the event of prolonged interruptions in the operations of our manufacturing facilities, we may have to import various supplies and products in order to meet our production requirements, which could affect our profitability.

29. Export destination countries may impose varying duties on yarn, thread or fabrics or enter into free trade agreements with countries other than India. Any increase in such duties or the entry into free trade agreements with countries other than India may materially adversely affect our business, financial condition and results of operations.

We generated Rs. 1405.23 million and Rs. 358.23 million as revenues from exports in Financial Year ended on March 31, 2014 and the quarter ended June 30, 2014 which represented 57.11% and 51.16% of our revenues from operations in India for the respective periods. The destination countries impose varying duties on our products. There can be no assurance that the duties imposed by such destination countries will not increase. Any change or increase in such duties may adversely affect our business, financial condition and results of operations. Export destination countries may also enter into free trade agreements or regional trade agreements with countries other than India. Such agreements may place us at a competitive disadvantage compared to manufacturers in other countries and may adversely affect our business, financial condition and results of operations. Further, adverse changes in import policies in countries to which we export our products may have a particularly significant adverse impact on our business, financial condition and results of operations.

30. We have not entered into any definitive agreements for the utilization of Net Proceeds from this Issue.

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds of the Issue for capacity expansion of manufacturing facilities at South Carolina, U.S., upgradation of existing faciltiees at Silvassa, Dadra and Nagar Haveli, India and augmenting working capital requirement and general corporate purposes. However, we have not placed orders or entered into any definitive agreements to utilize the Net Proceeds of this Issue. Any delay in the proposed capacity expansion may adversely affect the performance of our Company.

31. We are subject to risks associated with damage to products during transit, rejection of supplied products and consequential claims thereof, which could adversely affect our business, results of operations or financial condition.

Our products are transported overseas mainly through the sea and air route which exposes them to damages in transit such as moisture, theft, piracy etc. Also, delay or defects, if any, in our products could lead to

rejection of supplied products and consequential financial claims and/or could require us to undertake service actions. These actions could require us to expend considerable resources in rectifying and/or addressing these problems, to absorb costs incurred by our customers in addressing such problems, and could adversely affect demand for our products... Management resources could also be diverted away from our business towards defending such claims. As a result, our business, results of operations and financial condition could suffer. We cannot assure you that the limitations of liability set forth in our contracts will be enforceable in all instances or will otherwise protect us from liability for damages.

32. Any inability on our part to comply with prescribed specifications and standards of quality in connection with our products and/or manufacturing facilities could adversely impact our operations and profitability.

Our business requires obtaining and maintaining quality certifications and accreditations from independent certification entities that enable us to be eligible to participate in orders. Further, with respect to our U.S. manufacturing, we are required to adhere to stringent specifications and standards, and our customers often require our manufacturing facilities and products to be pre-approved and/or accredited by various agencies before placing orders for our products. If we fail to adhere to the aforesaid requirements or changes thereto in a timely manner, or at all, our cash flows, operations and/or profitability could be adversely affected.

33. Our inability to procure and/or maintain adequate insurance cover in connection with our business may adversely affect our operations and profitability.

Our operations are subject to inherent risks, such as defects, malfunctions and failures of manufacturing equipment, fire, riots, strikes, explosions, loss-in-transit for our products, accidents and natural disasters. Our insurance may not be adequate to completely cover any or all of our risks and liabilities. Further, there is no assurance that the insurance premiums payable by us will be commercially viable or justifiable. Our inability to procure and/or maintain adequate insurance cover in connection with our business could adversely affect our operations and profitability.

34. We may not be able to sustain effective implementation of our business and growth strategies.

The success of our business will depend greatly on our ability to effectively implement our business and growth strategies. We may not be able to execute our strategies in the future. An inability to keep up pace with the demands of such growth could limit the business expansion and profitability of our Company.

35. We could be harmed by employee misconduct or errors that are difficult to detect and any such incidences could adversely affect our financial condition, results of operations and reputation.

Employee misconduct or errors could expose us to business risks or losses, including regulatory sanctions and serious harm to our reputation. There can be no assurance that we will be able to detect or deter such misconduct. Moreover, the precautions we take to prevent and detect such activity may not be effective in all cases. Our employees and agents may also commit errors that could subject us to claims and proceedings for alleged negligence, as well as regulatory actions on account of which our business, financial condition, results of operations and goodwill could be adversely affected.

36. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures and there can be no assurance that we will be able to pay dividends in the future.

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Hence, there can be no assurance that we will be able to pay dividends in the future.

EXTERNAL RISK FACTORS

37. Our profitability would decrease if the Government of India reduces or withdraws tax benefits and other incentives provided to us.

We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in wind power generation. Specifically, we avail of benefits under Section 80IA, of the I.T. Act. For details, please see "Taxation" on page 186. Further, being a 100% EOU, we are entitled to abatement in custom duty for clearing the material in Domestic Tariff Area. The loss or unavailability of these benefits is likely to increase our income tax obligations or costs and may have a material adverse effect on our profits and cash flow.

38. We are exposed to the risk of fluctuations in foreign exchange rates.

We are a 100% EOU and have material exposure to foreign exchange related risks since a portion of our revenue earnings are in foreign currency. Our imports are 34% of total turnover i.e. including trading sales (60% of total raw material purchases). 61% of our revenue is in foreign currency including trading sales and the balance in local currency, deemed exports and sales in domestic tariff area.

Further since the customers may compare prices of our products with that of the competitor in US dollars, Euro and GBP denominated rate, appreciation of Indian Rupee vis-à-vis US dollars, Euro and GBP could weaken our competitive position. At the same time for given revenue in US dollars, Euro and GBP, appreciation of Rupee will push the revenue and profit in Rupee terms in the downward direction. We also have current outstanding long term borrowings in foreign currencies availed for our wind power business. Any appreciation or depreciation of the Indian Rupee against these currencies can impact the profitability of the business. Translation differences arising out of conversion of these transactions into Rupees can also impact the profitability for that period. We may from time to time be required to make provisions for foreign exchange differences in accordance with accounting standards.

39. The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital, disclosures in prospectus, corporate governance norms, audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors and insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. Further, companies meeting certain financial thresholds are also required to constitute a committee of the board of directors for corporate social responsibility activities and ensure that at least 2% of the average net profits of our company during three immediately preceding financial years are utilized for corporate social responsibility activities. Penalties for instances of non-compliance have been prescribed under the Companies Act, 2013, which may result in inter alia, our Company, Directors and key managerial

employees being subject to such penalties and formal actions as prescribed under the Companies Act, 2013, should we not be able to comply with the provisions of the Companies Act, 2013 within the prescribed timelines, and this could also affect our reputation.

To ensure compliance with the requirements of the Companies Act, 2013 within the prescribed timelines, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. While we shall endeavor to comply with the prescribed framework and procedures, we may not be in a position to do so in a timely manner.

The Companies Act, 2013 introduced certain additional requirements which do not have corresponding equivalents under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with the other existing laws and regulations, such as the corporate governance norms and Insider Trading Regulations. We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013, which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

40. Any changes in the regulatory framework could adversely affect our operations and growth prospects

Our Company is subject to various regulations and policies. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that our Company will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which could have a material adverse effect on our business, financial condition and results of operations.

41. Civil disturbances, extremities of weather, regional conflicts and other political instability may have adverse effects on our operations and financial performance

Certain events that are beyond our control such as earthquake, fire, floods and similar natural calamities may cause interruption in the business undertaken by us. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other adverse developments in or affecting India.

42. Terrorist attacks and other acts of violence or war involving India, America and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks, whether in India or another country may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Some parts of India have experienced communal disturbances and riots during recent years. If such events recur, our business and financial condition may be adversely affected.

South Asia as well as Turkey has, from time to time, experienced instances of civil unrest. Military activity or terrorist attacks in the future could adversely affect the Indian economy or the economies of countries

wherein our Subsidiaries and Joint Ventures are situated, and the financial condition and results of operations of companies within such economies, including us, which would have an adverse effect on the trading price of our Equity Shares These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition.

43. Majority of our revenue is derived from our operations in India.

We derive majority of our revenue from our operations in India and, consequently, our performance and the quality and growth of our business are dependent on the health of the economy of India. However, the Indian economy may be adversely affected by factors such as adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities or interest rates changes, which may also affect the microfinance industry. Any such factor may contribute to a decrease in economic growth in India which could adversely impact our business and financial performance.

44. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition.

Our financial statements, including the financial statements provided in this Preliminary Placement Document are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

45. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our Company's business.

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect our Company's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm our Company's business and financial performance, ability to obtain financing for capital expenditures and the price of our Company's Equity Shares.

46. Financial instability in other countries could disrupt Indian financial markets and our Company's business and have an adverse effect on the market for the Equity Shares.

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets due to negative economic development such as rising fiscal or trade deficit or a default on sovereign debt in emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact on the movement of exchange rates and interest rates in India. Any significant financial disruption could have an adverse effect on our Company's business, future financial performance and the market for the Issue Shares.

47. Foreign investors are subject to foreign investment restrictions under Indian law that limits our Company's ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

48. Investors may have difficulty enforcing foreign judgments against our Company or its management

The enforcement by investors of civil liabilities, including the ability to affect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India, and most of our executive officers and directors reside in India. All of our assets and most of the assets of our executive officers and directors are also located in India. As a result, it may be difficult to affect service of process upon us and any of these persons outside of India or to enforce judgments obtained against us and these persons, in courts outside of India.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United Kingdom has been declared by the Government to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Indian Code of Civil Procedure, 1908, and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered.

49. There may be less company information available in Indian securities markets than in securities markets in other more developed countries

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result investors may have access to less information about the business, results of operations and financial conditions of our Company and of the competitors that also are listed on the

BSE and the NSE and other stock exchanges in India than investors may have in the case of companies subject to the reporting requirements of other, more developed countries.

50. You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Companies Act, as amended, a public limited company incorporated in India must offer holders of its equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adoption of a special resolution by holders of the equity shares that are present at the relevant meeting. If you are in a jurisdiction that requires registration or qualification of the new securities, you may be unable to exercise your preemptive rights for the Equity Shares unless such registration or qualification is effective with respect to the rights or an exemption from the registration or qualification requirements is available to you. Our Company may elect not to file a registration statement or otherwise qualify the preemptive rights available by Indian law to investors in your jurisdiction. To the extent that you are unable to exercise preemptive rights granted in respect of the Equity Shares, your proportional interests in our Company would be reduced.

51. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions

Legal principles relating to the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

52. Changes in Government regulations, such as tax regulations, FDI policies, foreign ownership of Indian securities may adversely affect the price of Equity Shares and increase the tax liability of investors.

Any change in Government regulations affecting FDI, FII holding in Indian companies, taxation related to such entities or any changes in tax regulations with respect to Indian companies could have a material adverse effect on the price of securities in the capital markets. Also, changes in tax regulations could result in an increase in the tax liability of our Company, which may adversely affect its financial results.

53. The market value of your investment may fluctuate due to the volatility of the Indian securities markets

Indian securities markets are more volatile than the securities markets in certain countries which are members of the OECD. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities.

Despite increased annual turnover of equity, and currency products on the Indian stock exchanges in recent years, these stock exchanges (including the BSE and the NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

54. Third-party statistical and financial data in this Preliminary Placement Document may be incomplete or unreliable

We have not independently verified the data in this Preliminary Placement Document that comes from industry publications and other third party sources and therefore we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in other countries. Therefore, discussions of matters relating to India, its economy and our industry in this Preliminary Placement Document are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

55. There are many factors that make predicting the future operating results of our Company very difficult, and our Company can provide no assurances that it forecasts will materialize.

Several factors may affect the future operating results of our Company, many of which are beyond the control of our Company. The operating results of the Company are difficult to predict and past performance of our Company may not be indicative of future performance. Several factors may have an adverse effect on the future performance of our Company, including, but not limited to, changes in growth and demand for our Company's products, a shift in consumer preferences, changes in government policies (both domestically and globally), a decrease in the sales price of our Company's goods, an increase in the cost of raw materials, including fuel and other energy costs, changes in import tariffs and domestic duties on raw materials, changes in tax and excise policies, changes in other incentives applicable to our Company or its products, an increase in the costs associated with our Company's financing, currency fluctuations, an increase in transportation costs or the disruption of transportation due to labor shortages, strikes or other reasons, strikes or work stoppages of our Company's employees or employees of supporting manufacturers, accidents, natural disasters, acts of terrorism, the outbreak of disease or heavy rains.

RISKS ASSOCIATED WITH THE ISSUE SHARES

56. Your ability to acquire and sell the Equity Shares held pursuant to the Issue is restricted by the distribution, solicitation and transfer restrictions set forth in this Preliminary Placement Document

The Issue Shares have not and will not be registered under the U.S. Securities Act, any U.S. state securities laws or the laws of any jurisdiction other than India. Furthermore, the same are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions. We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Issue Shares made other than in compliance with applicable legal restrictions.

57. A third party could be prevented from acquiring control over us because of anti-takeover provisions under Indian law

There are provisions in Indian law that may discourage a third party from attempting to acquire control of our Company, even if a change in control would result in the purchase of your Issue Shares at a premium to the market price or would otherwise be beneficial to you.

The Takeover Code requires that a person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the Placement Shares or voting rights in any company, or who holds 55% or more but less than 75% of the Placement Shares or voting rights in any company and acquires shares or voting rights under the second proviso to Regulation 11(2) of the Takeover Code, is required to disclose any purchase or sale representing 2% or more of the Placement Shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's Issue Shares are listed within two days of the purchase or sale and is

also required to make annual disclosure of his holdings to that company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the company's Issue Shares are listed).

Any acquisition of additional voting shares or voting rights by an acquirer who, together with persons acting in concert with him, holds 55% or more but less than 75% of the shares or voting rights in a company (or, less than 90% of the shares or voting rights in the company, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR) would require such an acquirer to make an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in the company; provided however that such acquirer may, without making a public announcement, acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights entitling him up to 5% voting rights in the company, through open market purchase in normal segment on the stock exchange but not through bulk deal/ block deal/ negotiated deal/ preferential allotment. Also, if the shareholding or voting rights of such acquirer increases by up to 5% pursuant to a buyback of shares by the company, then this requirement is not triggered. In any case, the post-acquisition shareholding of the acquirer together with persons acting in concert with him should not increase beyond 75%. These provisions may discourage or prevent certain types of transactions involving an actual or potential change in control of the Company.

58. An active market for our Equity Shares may not be sustained, which may cause the price of the Issue Shares to fall

There can be no assurance regarding the continuity of the existing active or liquid market for the Issue Shares, the ability of investors to sell them or the prices at which investors may be able to sell them. In addition, the market for debt and equity securities in emerging markets has been subject to disruptions that have caused volatility in the prices of securities similar to our Issue Shares. There can be no assurance that the market for the Issue Shares will not be subject to similar disruption. Any disruption in these markets may have an adverse effect on the market price of our Issue Shares.

59. An investor will not be able to sell any of the Issue Shares subscribed other than on a recognized Indian stock exchange for a period of 12 months from the date of allotment of Issue Shares.

Pursuant to the ICDR Regulations, for a period of 12 months from the date of allotment of the Issue Shares, investors subscribing to the same may only sell their shares on any of the Indian Stock Exchange(s) and may not enter into any off-market trading in respect of these shares. There can be no assurance that these restrictions will not have an impact on the price or liquidity of the Issue Shares.

60. There is no guarantee that the Equity Shares offered pursuant to the Issue will be listed on any or all of the Indian Stock Exchange(s) in a timely manner or at all, and any trading closures at the Indian Stock Exchange(s) may adversely affect the trading price of our Equity Shares or a shareholder's ability to sell its Equity Shares.

In accordance with Indian law and practice, permission for listing of the Issue Shares will not be granted until after they have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of these Equity Shares to be submitted. There could be a failure or delay in listing the Issue Shares on the Indian Stock Exchanges. Any failure or delay in obtaining the approval would restrict your ability to dispose the Issue Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market

price and liquidity of the securities of Indian companies, including the Issue Shares, in both domestic and international markets.

A closure of, or trading stoppage on, either of the Indian Stock Exchanges could adversely affect the trading price of the Equity Shares or a shareholder's ability to sell Equity Shares at a particular point in time. Historical trading prices may not be indicative of the prices at which the Equity Shares will trade in the future.

61. Any further issue of Equity Shares and offering of equity-linked instruments by our Company may dilute an investor's shareholding and significant sales of Equity Shares by our major shareholders may affect the trading price of the Equity Shares.

Any future equity offerings by our Company may lead to the dilution of investor shareholding in our Company or affect the market price of the Equity Shares. Additionally, sales of a large number of the Equity Shares by our Company's principal shareholders could adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances might occur could also affect the market price of the Equity Shares. There can be no assurance that our Company will not issue further Equity Shares or that the major shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

62. Because our Equity Shares are quoted in Rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Investors are subject to currency fluctuation risk and convertibility risk since the Equity Shares are quoted in Rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Rupees. In addition, investors that seek to sell Equity Shares will have to obtain approval from RBI, unless the sale is made on one of the Stock Exchanges or in connection with an offer made under regulations regarding takeovers. The volatility of the Indian rupee against the U.S. dollar and other currencies subjects investors who convert funds into Rupees to purchase our Equity Shares to currency fluctuation risks.

63. Holders may be subject to Indian taxes arising out of capital gains on the sale of the Issue Shares.

The sale of Placement Shares by any holder may give rise to tax liability in India, as discussed more particularly in the Chapter "*Taxation*" on page 186 of this Preliminary Placement Document.

64. The price of the equity shares has historically fluctuated and may continue to fluctuate, which may make future prices of the equity shares difficult to predict.

The price and trading volumes of the equity shares can be volatile. Some of the factors that could affect our share price are:

- speculation in the press or investment community about, or actual changes in, our business, strategic position, market share, organizational structure, operations, financial condition, financial reporting and results, value or liquidity of our investments, exposure to market volatility, prospects, business combination or investment transactions, or executive team;

- the announcement of new products, services, technological innovations or acquisitions by us or our competitors;

- quarterly increases or decreases in revenue, gross margin, earnings or cash flow from operations changes in estimates by the investment community or guidance provided by us, and variations between actual and estimated financial results;

- announcements of actual and anticipated financial results by our competitors and other companies in the markets in which we operate;

- Volatility in the Indian and global securities market or in the rupee's value relative to the U.S. dollar, the Euro and other foreign currencies; and

- Significant developments in India's economic liberalization and deregulation policies.

General or industry-specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also may affect the price of our Equity Shares. In particular, the stock market as a whole recently has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to those companies' operating performance. For these reasons, investors should not rely on recent trends to predict future share prices, financial condition, results of operations or cash flows.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

As on date, 69,50,300 Equity Shares have been issued, subscribed and fully paid up.

Our Company's Equity Shares have been listed on BSE since April 28, 1995 and NSE since January 19, 2007. The stock market data has been given separately for each of these Stock Exchanges.

On October 17, 2014 the closing price of the Equity Shares on BSE and NSE was Rs. 369.00 and Rs. 368.00 per Equity Share, respectively.

i) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total trading volumes for Financial Years ended March 31, 2014, March 31, 2013 and March 31, 2012:

NSE											
Financial Year	**High (Rs.)**	**Date of High**	**Number of Equity shares traded on the date of high**	**Total Volume of Equity Shares traded on the date of High (In Rs. million)**	**Low (Rs.)**	**Date of Low**	**Number of Equity shares traded on the day of Low**	**Total volume of Equity Shares traded on the date of low (In Rs. million)**	**Average Closing Price for the Year/ Period (In Rs.)**	**Total volume of Equity Shares traded in the Financial Year/period**	
										In number	**In Rs. million**
2014	190.35	March 7, 2014	750	0.14	148.10	April 2, 2013	69	0.01	174.95	19,501	3.34
2013	181.75	February 7, 2013	2,915	0.52	90.00	May 11, 2012	44	0.00	135.51	1,81,221	24.96
2012	134.00	May 20, 2011	100	0.01	81.60	December 20, 2011	4,000	0.33	108.64	1,79,934	19.34

(Source: www.nseindia.com)

BSE											
Financial Year	**High (Rs.)**	**Date of High**	**Number of Equity shares traded on the**	**Total Volume of Equity Shares traded on the date of High (In Rs.**	**Low (Rs.)**	**Date of Low**	**Number of Equity shares traded on the day of Low**	**Total volume of Equity Shares traded on the date of low**	**Average Closing Price for the Year/ Period (In Rs.)**	**Total volume of Equity Shares traded in the Financial Year/period**	
										In number	**In Rs. million**

			date of high	**million)**				**(In Rs. million)**			
2014	198.00	June 21, 2011	901	0.15	146.15	April 2, 2011	266	0.04	170.70	1,15,593	19.32
2013	180.75	February 7, 2013	2,303	0.41	90.55	May 24, 2012	3	0.00	132.93	2,16,263	28.70
2012	138.00	April 29, 2011	822	0.12	84.95	December 20, 2011	5,955	0.49	109.24	2,58,414	26.99

(Source: www.bseindia.com)

ii) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total volume of Equity Shares traded during each of the last six months:

NSE											
Financial Year	**High (Rs.)**	**Date of High**	**Number of Equity shares traded on the date of high**	**Total Volume of Equity Shares traded on the date of High (In Rs. million)**	**Low (Rs.)**	**Date of Low**	**Number of Equity shares traded on the day of Low**	**Total volume of Equity Shares traded on the date of low (In Rs. million)**	**Average Closing Price for the Year/ Period (In Rs.)**	**Total volume of Equity Shares traded in the Financial Year/period**	
										In number	**In Rs. million**
April, 2014	225.00	April 30, 2014	1,026	0.23	180.00	April 14, 2014	850	0.15	203.27	15,159	3.08
May, 2014	233.00	May 9, 2014	670	0.15	200.00	May 16, 2014	740	0.15	216.03	9,129	1.98
June, 2014	245.00	June 5, 2014	1,829	0.45	224.00	June 18, 2014	102	0.02	233.32	6,127	2.60
July, 2014	344.00	July 25, 2014	205	0.07	233.15	July 1, 2014	1,375	0.32	304.89	51,028	15.17
August, 2014	362.00	August 7, 2014	34,160	12.34	306.50	August 18, 2014	1,328	0.41	325.60	55,136	19.13
September 2014	372.00	September 16, 2014	13,125	5.00	322.35	September 25, 2014	986	0.32	347.02	91,994	33.10

(Source: www.nseindia.com)

BSE											
Financial Year	**High (Rs.)**	**Date of High**	**Number of Equity shares traded on the date of high**	**Total Volume of Equity Shares traded on the date of High (In Rs. million)**	**Low (Rs.)**	**Date of Low**	**Number of Equity shares traded on the day of Low**	**Total volume of Equity Shares traded on the date of low (In Rs. million)**	**Average Closing Price for the Year/ Period (In Rs.)**	**Total volume of Equity Shares traded in the Financial Year/period**	
										In number	**In Rs. million**
April, 2014	226.50	April 30, 2014	1,599	0.36	185.00	April 2, 2014	300	0.06	203.77	16,325	3.44
May, 2014	235.00	May 7, 2014	10	0.00	197.30	May 15, 2014	60	0.01	212.22	17,671	3.77
June, 2014	250.80	June 5, 2014	3,394	0.82	217.00	June 2, 2014	396	0.09	233.14	17,585	4.10
July, 2014	350.00	July 24, 2014	3,824	1.32	232.15	July 1, 2014	370	0.09	306.64	27,873	8.33
August, 2014	361.35	August 7, 2014	19,803	7.18	310.10	August 5, 2014	1,212	0.40	327.63	33,790	11.81
September 2014	371.40	September 16, 2014	9,458	3.63	320.00	September 25, 2014	986	0.32	347.20	42,296	15.24

(Source: www.bseindia.com)

iii) The following table sets forth the details of the number of Equity Shares traded on the Stock Exchanges and the turnover during the last six months and the Financial Year ended March 31, 2014, March 31, 2013 and March 31, 2012 on the Stock Exchanges:

For Financial Years 2014, 2013 and 2012:

Financial Year	Number of Equity Shares traded		Turnover (in Rs. million)	
	BSE	NSE	BSE	NSE
2014	1,15,593	19,501	19.32	3.34
2013	2,16,263	1,81,221	28.70	24.96
2012	2,58,414	1,79,934	26.99	19.34

(Source: www.nseindia.com ; www.bseindia.com)

For the six months preceding the date of filing of this Preliminary Placement Document:

Month	Number of Equity Shares traded		Turnover (in Rs. million)	
	BSE	NSE	BSE	NSE
April, 2014	16,325	15,159	3.44	3.08
May, 2014	17,671	9,129	3.77	1.98
June, 2014	17,585	6,127	4.10	1.45
July, 2014	27,873	51,028	8.33	15.17
August, 2014	33,790	55,136	11.81	19.13
September, 2014	42,296	91,994	15.24	33.10

(Source: www.nseindia.com ; www.bseindia.com)

iv) The following table sets forth the market price on the Stock Exchanges on September 15, 2014*, the first working day following the approval of the Board of Directors for the Issue:

NSE						BSE					
Open	High	Low	Close	No. of Equity Shares Traded	Volume (In Rs. million)	Open	High	Low	Close	No. of Equity Shares Traded	Volume (In Rs. million)
399.00	399.00	356.80	366.05	12,765	4.72	370.00	385.00	360.00	369.00	3,358	1.26

**The Board of Directors of our Company approved raising funds for the business of our Company upto an amount of Rs. 1,000 million at its meeting held on August 01, 2014. However the outcome of the Board meeting was intimated to the Stock Exchanges on September 12, 2014.*
(Source: www.nseindia.com ; www.bseindia.com)

Notes:
1. High and low prices are based on the high and low of the daily closing prices.
2. In case of two days with the same closing price, the date with the higher volume has been chosen.
3. Average of the closing price for the year/month/period, represents the average of the closing prices for that year/month/period.

USE OF PROCEEDS

The total gross proceeds of the Issue will be Rs. [●] million. After deducting the Issue expenses, the Net Proceeds of the Issue will be approximately Rs. [●] million.

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds of the Issue for capacity expansion of manufacturing facilities at South Carolina, U.S., upgradation of facilities at Silvassa, Dadra and Nagar Haveli, India and augmenting working capital requirement and general corporate purposes.

In accordance with the policies approved by our Board of Directors and as permissible under applicable laws and Government policies, our management will have flexibility in deploying the proceeds received by our Company from the Issue. Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time and shall also be in accordance with all applicable laws and regulations.

Our Promoters or Directors are not making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

CAPITALISATION STATEMENT

As of the date of this Preliminary Placement Document, our Company's authorized share capital is Rs. 100 million consisting of 10 million Equity Shares of Rs. 10 each. Our Company's issued, subscribed and paid up capital is Rs. 69.503 million divided into 69,50,300 Equity Shares of Rs. 10 each.

The following table sets forth our Company's capitalization and total debt as on March 31, 2014, as per our audited standalone and consolidated financial statements for Financial Year ended on March 31, 2014 on an:

- actual basis; and
- as adjusted for the Issue.

This table should be read in conjunction with the "***Select Financial Information***", "***Risk Factors***", ***"Management's Discussion and Analysis of Financial Condition and Results of Operations"*** and other financial information contained in the section entitled ***"Financial Statements"*** on pages 41,46,76 and 199.

Capitalisation Statement (Consolidated Basis)

(Rs. in million)

	Based on consolidated financial statements	
Capitalisation Statement	**Pre-Issue as on March 31, 2014**	**As adjusted for the Issue**
Shareholders' Funds:		
Share Capital	69.50	[●]
Share Premium	-	[●]
Reserves and Surplus (excluding Share Premium)	1622.00	[●]
		[●]
Total shareholder's funds (A)	**1691.51**	
Loan Funds:		
Short term borrowings:		
Secured	719.63	
Unsecured	22.50	
Long term borrowings:		
Secured	1257.77	

	Based on consolidated financial statements	
Capitalisation Statement	**Pre-Issue as on March 31, 2014**	**As adjusted for the Issue**
Unsecured	32.89	
Current Maturities of Long-term borrowings		
Secured	299.77	
Unsecured		
Total Borrowings (B)	**2332.58**	
Total Capitalisation (A+B)	**4024.09**	

Capitalisation Statement (Standalone Basis)

(In Rs. million)

	Based on Unconsolidated financial statements	
Capitalisation Statement	**Pre-Issue as on March 31, 2014**	**As adjusted for the Issue**
Shareholders' Funds:		
Share Capital	69.50	[●]
Share Premium	-	[●]
Reserves and Surplus	1161.18	[●]
		[●]
Total shareholder's funds (A)	**1230.69**	
Loan Funds:		
Short term borrowings:		
Secured	719.63	
Unsecured	0.00	

	Based on Unconsolidated financial statements	
Capitalisation Statement	**Pre-Issue as on March 31, 2014**	**As adjusted for the Issue**
Long term borrowings:		
Secured	193.64	
Unsecured	0.00	
Current Maturities of Long-term borrowings		
Secured	107.29	
Unsecured		
Total Borrowings (B)	**1020.56**	
Total Capitalisation (A+B)	**2251.25**	

Notes:

Consolidated reserve and surplus is based on unaudited financial results as on 31st March 2014 as per Indian GAAP of its subsidiary namely Sarlaflex Inc, USA and also includes reserves and surplus of Savitex SA De C.V. and MRK SA De C.V. where there is dispute and the matter is subjudice in respect of Savitex SA De C.V.

Except as described above, there has been no material change to our capitalization or indebtedness or contingent liabilities since March 31, 2014.

CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Preliminary Placement Document is set forth below:

(In Rs. except share data)

		Aggregate nominal value	Aggregate value at Issue Price
A)	Authorised Share Capital	10,00,00,000	
	1,00,00,000 Equity Shares of Rs. 10/- each		
B)	Issued, Subscribed And Paid Up Share Capital Before The Issue	6,95,03,000	
	69,50,300 Equity Shares of Rs. 10/- each		
C)	Present Issue In Terms Of This Preliminary Placement Document		
	[●] Equity Shares aggregating up to [●] [1]	[●]	[●]
D)	Paid-Up Share Capital After The Issue		
	[●] Equity Shares	[●]	[●]
E)	Securities Premium Account		
	Before the Issue	Nil	
	After the Issue	[●]	

[1] *The Issue has been authorised by the Board on August 1, 2014 and the shareholders pursuant to their resolution at the AGM dated September 27, 2014.*

Equity Share Capital History of our Company

The history of the Equity Share capital of our Company is provided in the following table:

Date of allotment	Number of Equity Shares allotted	Number of Equity Shares (Cumulative)	Face value (Rs.)	Issue Price (Rs.)	Nature of Consideration
November 25, 1993	70*	70	10	10	Cash
April 8, 1995	69,50,230	69,50,300	10	10	Cash

** Issued to signatories to the Memorandum of Association (Source: Prospectus dated January 16, 1995 for initial public offering of our Company)*

Note: Our Company was incorporated as a private limited company by issue of twenty shares to the two subscribers to the Memorandum of Association on November 23, 1993. Subsequently our Company was converted into a public limited Company on November 25, 1993 by issue of additional shares to the new members.

Our Company does not have any stock options or instruments convertible into Equity Shares that are outstanding as of date.

There have been no allotments made in the past one year by our Company.

DIVIDEND POLICY

Under the Companies Act, 2013 an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, 2013 dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous Financial Years subject to compliance of Section 123 to Section 127 of the Companies Act, 2013, the Companies (Declaration and Payment of Dividend) Rules, 2014 and applicable provisions in this regard.

The declaration and payment of dividend will be recommended by the board of directors and approved by the shareholders at their discretion and will depend on our Company's revenues, cash flows, financial condition (including capital position) and other factors. The declaration and payment of equity dividend would be governed by the applicable provisions of the Companies Act and Articles of Association of our Company.

Dividends are payable within 30 days of approval by the company's shareholders at its annual general meeting which is held not later than six months from the close of the Financial Year. When dividends are declared, all the shareholders whose names appear in the share register as at the "record date" or "book closure date" are entitled to be paid the dividend declared by the company. Any shareholder who ceases to be a shareholder prior to the record date, or who becomes a shareholder after the record date, will not be entitled to the dividend declared by the company.

Our Company generally declares and pays dividend in the Financial Year following the year as to which they relate.

The table below sets forth the details of the dividends declared by our Company on its Equity Shares during the last three Financial Years:

Financial Year	Dividend %	Dividend Per Equity Share (Rs.)	Total Amount of Dividend (Rs. in million)	Tax on Dividend (Rs. in million)
2013-14	75%	7.5	52.13	8.86*
2012-13	60%	6	41.70	6.76*
2011-12	50%	5	34.75	5.64

* Note: Company has adjusted the dividend tax liability against income tax paid by it on dividend received from foreign subsidiary company as per provisions of section 115-O of the I.T. Act.

The amounts paid or not paid as dividends in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future.

Future Dividends

There is no assurance that any future dividends will be declared or paid or that the amount thereof will not be decreased in future.

Under the current Indian tax laws, dividends are not subject to income tax in India in the hands of the recipient. However, our Company is liable to pay a "dividend distribution tax" currently at the rate of 15% plus a surcharge at 10% on the dividend distribution tax and an education cess at the rate of 3% on dividend distribution tax and surcharge. The effective rate of dividend distribution tax is approximately 16.995% on the total amount of dividend declared and paid by our Company. See "*Taxation*" on page 186.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

We discuss below our historical results of operations and financial condition as of and for the years ended March 31, 2012, 2013 and 2014, for the three-month periods ended June 30, 2014 and June 30, 2013 and our assessment of the factors that may affect our prospects and performance in future periods.You should read the following discussion in conjunction with our audited consolidated financial statements as of and for the years ended March 31, 2012, 2013 and 2014, and the related notes for each year and our unaudited but reviewed consolidated financial results for the three months period ended June 30, 2014. Our audited consolidated financial statements are prepared in accordance with Indian GAAP, which differs in certain material respects with IFRS and U.S. GAAP. Accordingly, the degree to which the financial statements in this Preliminary Placement Document will provide meaningful information to a prospective investor in countries other than India is entirely dependent on the reader's level of familiarity with Indian accounting practices.

Our Financial Year ends on March 31 of each year. Accordingly, all references to a particular Financial Year are to the 12 month period ended March 31 of that year. For purposes of the discussion below, the term "FY2012" refers to the year ended March 31, 2012; the term "FY2013" refers to the year ended March 31, 2013; the term "FY2014" refers to the year ended March 31, 2014; and the term "Q1-2015" refers to the three-month period ended June 30, 2014 and the term "Q1-2014" refers to the three-month period ended June 30, 2013. In this section only, any reference to "we," "us" or "our" refers to Sarla Performance Fibers Limited and its Subsidiaries on a consolidated basis

This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. See "Risk Factors" and "Forward-Looking Statements". Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in this section and in the sections "Risk Factors" and "Forward-Looking Statements on pages 46 and 18.

I. Overview

We are a 100% EOU focused on manufacturing and export of specialty polyester and nylon textured, twisted and dyed yarns, covered yarns, high tenacity yarns and sewing thread. We believe that we are amongst the largest manufacturers of covered yarn in India and among few players globally catering to specialized yarns which are used in a variety of niche applications.

We are one of the leading exporters of regular as well as high tenacity polyester and nylon yarns. We commenced operations in 1995 as manufacturers of commodity yarns and gradually progressed to specialized and higher value added yarns in 2006. With over two decades of involvement in the textile industry and physical presence in India, U.S. and Europe, we cater to over 116 customers over 40 countries

We have two manufacturing facilities in Silvassa (Dadra and Nagar Haveli) with a total installed capacity of 11,900 TPA for manufacture of polyester textured / twisted yarn, facilitated by an in-house dyeing facility at Vapi with an installed capacity of 3,200 TPA. We have also ventured into setting up our own manufacturing unit in USA in order to cater to the yarn requirements of our customers in the region. Based in Walterboro, South Carolina, this unit is involved in manufacturing of synthetic polyester yarn starting from the first stage of POY extrusion. We commenced production in our U.S. plant in the last quarter of the FY2014.

We have also forayed into has the business of wind power generation and have set up a separate division for the same. We own 7.25 MW capacity of wind turbines in Gujarat and Maharashtra. Our plant load factor for the Financial Year 2014 ranged between 23% and 25%.

II. SIGNIFICANT FACTORS AFFECTING OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Set out below are some of the more significant factors that have affected our results of operations in the past, as well as factors that are currently expected to affect our results of operations in the foreseeable future. These factors include:

General economic conditions

A significant percentage of our revenue directly or indirectly comes from advanced economies like U.S. and Europe on account of exports. Our Company is likely to be affected by general economic conditions within the country and the countries to which it exports its products. Growth rates of the economy and income levels of consumers are one of the determinants of demand in the textile industry. According to the October 2013 update of the World Economic Outlook issued by the International Monetary Fund (IMF), real GDP among advanced economies, including the United States, the United Kingdom, Japan and the Euro zone, is projected to be approximately 2.25% in 2014-15, following an increase of 1.00% in 2013. A slowdown in these economies translates into lower consumer spending and a consequent risk of lower sales in those markets.

Raw Material Availability and Cost

Most of the raw materials required for production are readily available in local and international markets. Raw materials constitute a major portion of our Company's expenses. Raw materials consumed constituted approximately 56.06%, 54.15% and 58.28% of our Company's total expenses on a consolidated basis in Financial Years 2014, 2013 and 2012, respectively. Adverse price fluctuations in raw materials could have a negative impact on our Company's expenses. With an effective raw material procurement policy, management believes that our Company should be able to control its raw material cost and when necessary, pass on the cost increase to its customers, as market conditions permit.

Competition

Our Company operates in a competitive market environment. Our Company competes with global competitors to retain and gain market share and also faces competition in the domestic market from both the organized and unorganized sectors. While the removal of quantitative restrictions has increased the market share of developing countries including India, Bangladesh, China and Indonesia, it has also resulted in significant price competition among suppliers from these countries.

Our Company may face pressures from overseas buyers on pricing, order size, product quality and the timing of deliverables, which could result in reduced profit margins in the future. Many of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. The primary competitive factors in the textile industry include price, quality, flexibility of production and finishing, delivery time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. Our Company's innovative and unique product offering emphasizing on niche value added applications enables us to overcome such competitive pressures which are critical to our results of operation.

Overseas operations

We service our international customers directly through our Indian operations and through our overseas Subsidiaries and Joint Ventures. We expect that our overseas Subsidiaries and Joint Ventures will be a key determinant of our future growth. Our ability to successfully expand our international operations, will, therefore, depend on the ability of our overseas Subsidiaries and Joint Ventures to expand their footprint, our ability to

manage their operations and, in the event of any future acquisitions, successfully integrate such business with our operations.

Fluctuations in Foreign Exchange Rates

In Financial Year 2014, exports constituted Rs. 1267.92 million, or approximately 46.51% of our total revenue which are in currencies other than Rupees. In Financial Years 2014, consumption of imported raw material constituted Rs. 736.37 million, 57.90% of total consumption of raw material. Exchange rate fluctuation may have an adverse effect on revenue generated from export sales and purchase of raw imported material. In addition, our Company's proposed capital expenditure plans include purchasing equipment and machinery denominated in currencies other than Rupees. Any decline in the value of the rupee against other currencies could increase the rupee cost of purchasing such equipment.

Our ability to implement our growth strategies

We believe that we have a proven business plan and strategy which is critical to our future growth. Accordingly, we have streamlined our operations to adapt to our current business strategy. Our success will depend, in large part, on our ability to effectively implement our business and growth strategies. We believe that our business and growth strategies will place significant demands on our senior management and other resources and will require us to develop and improve operational, financial and other internal controls. Further, our business and growth strategies may require us to incur further indebtedness. Any inability to manage our business and growth strategies could adversely affect our business, financial condition and results of operations.

Other factors beyond those identified above may materially affect our results of operations. For further details, see the sections entitled "*Risk Factors*" and "*Business*" in this Preliminary Placement Document.

III. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT, ESTIMATES AND JUDGMENTS

OUR CRITICAL ACCOUNTING POLICIES

The most significant principles of consolidation and the critical accounting policies followed by us in the preparation of our consolidated financial statements are set out below. We have not changed any of our accounting policies during the last three Financial Years.

Basis of Preparation of Consolidated Financial Statements:

The consolidated financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and relevant provisions of the Companies Act, 1956 to the extent applicable.

Principles of Consolidation:

The consolidated financial statements relate to our Company and its subsidiary companies i.e. SOHL and Sarlaflex (Sarlaflex was not in existence in the FY 2012). The consolidated financial statements have been prepared on the following basis:

- The financial statements of our Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 – **"*Consolidated Financial Statements"***.

- In case of foreign subsidiary, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.

- The financial statement of the subsidiary company i.e SOHL (consolidated with our Company) includes financial statements of its subsidiary company i.e. step down subsidiary and its interest in joint venture companies. Financial statements of subsidiary company is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 – "*Consolidated Financial Statements*". Interest in joint venture entities have been accounted by using proportionate consolidation method as per Accounting Standard (AS) 27 – "*Financial Reporting of Interest in Joint Ventures*".

- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as our Company's separate financial statements.

- The consolidated financial statement represents those of our Company and its wholly owned subsidiaries, SOHL and Sarlaflex. Financial statements of SOHL includes (i) Sarla Europe, LDA in which SOHL holds 60% of its share capital, (ii) Savitex in which SOHL holds 40% of its Share Capital, (iii) Sarla Tekstil in which SOHL holds 45% of its Share Capital and (iv) MRK SA De C.V. in which SOHL hold 33.33% of its Share Capital. The company SOHL has commercial disputes with its JV partners in joint ventures namely Savitex S.A. De C.V. & MRK S.A. De C.V., resulting into the matter being referred to the appropriate judicial authority in Honduras. The matter being *sub judice*, the financial performance of both the JV's are not taken into consideration while preparing the Consolidated Financial results for the year 2013-14 & 2012-13(but considered in the year 2011-12).

Fixed Assets:

Fixed Assets including intangible assets are stated at cost net of cenvat / value added tax and includes amount added on revaluation less accumulated depreciation and impairment loss, if any. All Cost is inclusive of Freight, Duties, (net of tax credits as applicable) levies and any directly attributable cost till commencement of commercial production. Adjustments arising from Exchange Rate variations attributable to the Fixed Assets are capitalized.

Impairment of Assets:

Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Depreciation & Amortisation:

Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in schedule XIV of the Companies act, 1956 on *prorata* basis. Fixed Assets are capitalized at cost inclusive of expenses and interest wherever applicable.

Intangible Assets are amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years.

Investments:
Non-current investments are stated at cost. Provision for diminution in the value of non-current investment is made only if such a decline is other than temporary in the opinion of management. Current Investments are carried at lower of cost and fair value.

Inventories:

- Raw Materials and General Stores are valued at cost or realizable value, whichever is less, excluding Cenvat and VAT credit, by First In First Out method.

- Work in Process is valued at raw-material cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.

- Finished Goods are valued at cost including estimated overheads or net realisable value, whichever is less. The value includes excise duty paid/payable on such goods

Excise Duty & CENVAT Credit:
Excise Duties wherever recovered are included in Sales and shown separately in financial statement as deduction from sales. Excise duty provision made in respect of finished goods lying at factory premises are shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods. Cenvat credit available on purchases of service / materials / capital goods is accounted by reducing cost of services / materials / capital goods. Cenvat credit availed of is accounted by way of adjustment against excise duty payable on dispatch of finished goods.

Provisions, Contingent Liabilities And Contingent Assets:
A provision is recognized when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having effect on the position stated in the balance sheet as at the year end.

Foreign Exchange Transaction:

- Transactions entered into and those settled during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

- Foreign currency transactions remaining unsettled at the year end and not covered by forward contract are translated at the exchange rates prevailing at the year end.

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

Revenue Recognition:

- Sales are recognized, net of returns and trade discounts, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e. inclusive of excise duty. Inter-unit sales/

purchases have been eliminated during the year. In case of export sales, revenue is recognized when the risk and reward on the goods is transferred to the customers.

- In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectability exists. Export benefits/incentives are accounted on accrual basis.
- Interest income is recognised on time proportionate method.
- Dividend is accrued in the year in which it is declared whereby a right to receive is established.

Taxation:

- Provision for current taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the I.T. Act for the relevant assessment year.
- Deferred Tax resulting from "timing differences" between book and tax profits is accounted for under the liability method, at the current rate of tax and tax laws that have been enacted or substantively enacted at the Balance Sheet date, to the extent that the timing differences are expected to crystalise, as deferred tax charge / benefit in the Profit and Loss Account and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in the future.

Borrowing Cost:

Borrowing cost that attributes to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to set ready for intended use. All other borrowing cost is charged to revenue.

Proposed Dividend:

Dividend proposed by the Board of Directors is provided for in the accounts pending approval at the Annual General Meeting.

IV. PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

INCOME

Our income consists of (a) Revenue from operations, and (b) other income

Revenue from Operations.

Our revenue from operation comprises sales of products which includes Polyester/ Nylon yarn, sewing threads, industrial yarn and other operating revenue which includes the export benefit of CST, export incentives of focus licenses, sale of waste yarn, sale of wind power & renewable energy certificates.

Other Income

Our other income generally include (a) claims received, (b) dividend income from current investments, (c) dividend income from Subsidiary (d) profit on sale of current investments, (e) profit on sale of fixed assets, (f) income from exchange rate fluctuation, (g) Credit balance written back and (h) miscellaneous income (i) Duty drawback.

EXPENDITURE

Raw Material Consumed

Our expenditure in connection with raw material consumed Polyester/Nylon POY, lycra, spandex rubber, dyes & chemical used for the purpose of producing yarn,

Manufacturing Expenses

Our manufacturing expenses comprise expenditure in connection with (i) Consumption of stores and spare parts (ii) power and fuel, (iii) Consumption of packing materials, (iv) Consumption of oils and chemicals (v) Labour charges, (vi) Clearing and forwarding charges, (vii) repairs to building and machinery, (viii) Excise duty expenses , and (ix) Water, waste and effluent treatment charges.

Purchase of stock-in-trade

This pertains to the purchase related to the goods purchased for trading.

Changes in inventories of finished goods and work-in-progress

This comprises difference in closing stock and opening stock of Work in Process and Finished Stock of Yarn

Employee benefit expenses

Our personnel expenses comprise expenditure in connection with (i) salaries, wages and bonus, (ii) contribution to provident and other funds, and (iii) staff welfare expenses,

Administrative and Other Expenses

Our administrative and other expenses comprise expenses in connection with rent, repairs and maintenance other, rates & taxes, insurance, directors sitting fees, legal and professional fees, miscellaneous expenses, audit fees, reimbursement of expenses, in other capacity (certification), cost audit fee, exchange rate fluctuation (net), bad debts written off, loss on sale of long term investments, loss on sale and discarded fixed assets, Freight and forwarding charges, Commission on sales, Transmission charges for wind power, claims written off.

Interest and Financial Charges

Our interest and financial charges comprise bank charges and interest paid on term loans and working capital facilities net of interest income received on fixed deposits.

Depreciation & Amortisation

Depreciation on all assets except computer software is provided on straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act. In case of computer software depreciation is charged or amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years. Depreciation on assets costing Rs. 5,000 or below is charged at a rate of 100% per annum on proportionate basis.

V. REVIEW OF FINANCIAL RESULTS

The following table sets forth our statements of profits and losses for the quarters ended June 30, 2014 and June 30, 2013, the components of which are also expressed as a percentage of total income for the periods indicated:

Amount (In Rs. million)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS					
		Quarter Ended			
		30-Jun-14	As a % of Total Revenue	30-Jun-13	As a % of Total Revenue
	Income from Operations:				
i)	Net Sales/ Income From Operations (Net of excise duty)	821.26	95.76%	605.26	98.61%
ii)	Other Operating Income	20.089	2.34%	-	-
a)	Revenue from Operations (i)+(ii)	841.352	98.10%	605.263	98.61%
b)	Other Income	16.304	1.90%	8.516	1.39%
	Total Revenue (a)+(b)	**857.66**	**100.00%**	**613.78**	**100.00%**
	Expenses:				
a)	Cost of raw material consumed	365.44	42.61%	301.95	49.20%
b)	Purchase of stock in trade	111.36	12.98%	10.802	1.76%
c)	Changes in inventories of finished goods and work in progress	-17.468	-2.04%	4.362	0.71%
d)	Employee benefit expenses	66.833	7.79%	13.74	2.24%
e)	Depreciation and amortisation expense	39.83	4.64%	22.049	3.59%
f)	Other expenses	192.02	22.39%	138.14	22.51%
	Total expenses	**758.01**	**88.38%**	**491.05**	**80.00%**
	Profit from ordinary activities before finance cost and exceptional items (3+4)	**99.647**	11.62%	**122.73**	20.00%

	Finance costs	10.226	1.19%	14.488	2.36%
	Profit from ordinary activities after finance cost but before exceptional items (5-6)	**89.421**	10.43%	**108.25**	17.64%
	Exceptional items	-	0.00%	-	0.00%
	Profit from ordinary activities before tax (7-8)	**89.421**	10.43%	**108.25**	17.64%
	Tax Expenses - Current Tax	27.58	3.22%	26.4	4.30%
	- Deferred Tax	-1.48	-0.17%	0	
	Profit from ordinary activities after tax (9-10)	**63.321**	7.38%	**81.846**	13.33%
	Extraordinary Items (Net)	0		0	
	Net Profit for the period (11-12)	**63.321**	7.38%	**81.846**	13.33%

The following table sets forth our consolidated statements of profits and losses for the last three financial years, the components of which are also expressed as a percentage of total revenue for the periods indicated:

Amount (In Rs. million except EPS)

CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS						
	31st March 2014	**As a % of Total Revenue**	**31st March 2013**	**As a % of Total Revenue**	**31st March 2012**	**As a % of Total Revenue**
Income:						
Revenue from operations	2,713.47	99.54%	2,665.76	102.72%	2,279.86	101.80%
- Less: Excise duty	-95.24	-3.49%	-78.81	-3.04%	-53.38	-2.38%
	2,618.24	96.04%	2,586.95	99.69%	2,226.48	99.42%
Other income	107.86	3.96%	8.14	0.31%	13.04	0.58%
Total Revenue	**2,726.10**	**100.00%**	**2,595.08**	**100.00%**	**2,239.52**	**100.00%**
Expenses:						
Cost of materials consumed	1,292.01	47.39%	1,215.47	46.84%	1,168.25	52.17%
Purchase of stock-in-trade	145.43	5.33%	191.03	7.36%	170.31	7.60%
Changes in inventories of finished goods and work-in-progress	-58.25	-2.14%	-30.55	-1.18%	-127.38	-5.69%
Employee benefit expenses	121.69	4.46%	52.65	2.03%	48.6	2.17%
Finance costs	43.77	1.61%	43.47	1.68%	29.72	1.33%
Depreciation and	110.07	4.04%	82.24	3.17%	80.45	3.59%

amortization expenses						
Other expenses	649.97	23.84%	690.41	26.60%	634.64	28.34%
Total Expenses	**2,304.69**	**84.54%**	**2,244.71**	86.50%	**2,004.60**	89.51%
Profit before tax	**421.4**	**15.46%**	**350.37**	**13.50%**	**234.93**	**10.49%**
Tax expense:						
- Current tax (MAT)	89.4	3.28%	52.9	2.04%	30.8	1.38%
- Less: MAT Credit	-		8.26	0.32%	4.28	0.19%
- Net Current Tax	89.4	3.28%	44.85	1.73%	26.58	1.19%
- Deferred tax	10.51	0.39%	27.71	1.07%	20.02	0.89%
- Tax adjustment of earlier years	-		-1.96	-0.08%	-0.83	-0.04%
Profit for the period	**321.49**	**11.79%**	**279.78**	**10.78%**	**189.16**	**8.45%**
Earning per equity share:						
- Basic	46.26		40.25		27.22	
- Diluted	46.26		40.25		27.22	

Results for the Quarter Ended June 30, 2014 compared to the results for the Quarter Ended June 30, 2013

Total Revenue.

Total revenue increased by 39.74% to Rs.857.66 million for the Q1-2015 from Rs.613.79 million for the Q1-2014, primarily due to an increase in our revenue from operations as explained below.

Revenue from operations.

Revenue from operations increased by 39.01% to Rs. 841.35 million for the Q1-2015 from Rs. 605.26 million for the Q1-2014, this increase in sales was primarily due to commencement of production in US plant and on account of increase in trading sales in India.

Other Income.

Other income increased by 91.45% to Rs. 16.30 million for the Q1-2015 from Rs. 8.52 million for the Q1-2014, primarily on account of dividend income received in our subsidiary, SOHL and also on account of gain from exchange rate fluctuations.

Total Expenses.

Total expenditure increased by 54.37% to Rs. 758.01 million for the Q1-2015 from Rs.491.05 million for the Q1-2014. There has been an increase in the employee benefits expenses and depreciation primarily on account of commencement of production in US plant.

Cost of Material consumed with changes in inventories of finished goods and work- in- progress

Material consumption cost increased by 13.60% to Rs. 347.98 million for the Q1-2015 from Rs. 306.31 million for the Q1-2014, primarily due to increased raw material consumption post commencement of production in US plant.

Purchase of stock-in-trade

Stock in trade cost increased by 930.90% to Rs. 111.36 million for the Q1-2015 from Rs. 10.80 million for the Q1-2014, due to increase in trading sales in India.

Manufacturing Expenses:

Manufacturing cost increased by 59.25% to Rs. 111.36 million for the Q1-2015 from Rs. 91.38 million for the Q1-2014, primarily due to increase in cost of power and fuel and cost of packing materials for operation in India and on account of commencement of production in US plant.

Employee benefits expense.

Employee benefits expense increased by 386.41% to Rs. 66.83 million for Q1-2015 from Rs. 13.74 million for Q1-2014. This increase was primarily due to increase in number of employees on commencement of production in US plant.

Administration and other expenses.

Administration and other expenses increased by 17.06% to Rs. 42.73 million for Q1-2015 from Rs. 36.50 million for Q1-2014.

Finance costs.

Finance costs decreased by 29.62% to Rs. 10.23 million for Q1-2015 from Rs. 14.49 million for Q1-2014, due to repayment of long term debts and use of internal accruals.

Depreciation and amortization expense.

Depreciation and amortization expense increased by 80.64% to Rs. 39.83 million for Q1-2015 from Rs. 22.05 million for Q1-2014, primarily as a result of commencement of production in US plant and commencement of production for Nylon 66 on pilot basis.

Tax Expense.

Tax expense decreased to Rs. 26.10 million for the Q1-2015 from Rs. 26.40 million for Q1-2014, due to marginal decrease in profits.

Financial Year 2014 compared with Financial Year 2013

Total Revenue

Total revenue increased by 5.05% to Rs.2,726.10 million for the FY2014 from Rs. 2,595.09 million for the FY2013, primarily due to an increase in our revenue from other income.

Revenue from operations

Revenue from operations increased marginally by 1.21% to Rs. 2,618.24 million for the FY2014 from Rs. 2,586.95 million for the FY2013. Since the revenue from commencement of US operations was only during the last quarter of the financial year the overall impact has been moderate.

Other Income

Other income increased by 1225% to Rs. 107.86 million for the FY2014 from Rs. 8.14 million for the FY2013, primarily due dividend received from our subsidiary, SOHL ,commission income received in SOHL and gain on account of foreign exchange fluctuations.

Total Expenses

Total expenditure increased by 2.67% to Rs. 2,304.69 million for the FY2014 from Rs. 2,244.71 million for the FY2013, primarily as a result of increases in employee benefits expenses and depreciation due to commencement of production in the US plant during the last quarter of the Financial Year.

Cost of Material consumed with changes in inventories of finished goods and work-in-progress

Material consumption cost increased by 4.12% to Rs. 1233.76 million for the FY2014 from Rs. 1184.91 million for the FY2013, primarily due to increased raw material consumption during the last quarter of the Financial Year post commencement of production in US plant.

Purchase of stock-in-trade

Stock in trade cost decreased by 23.87% to Rs. 145.43 million for the FY2014 from Rs. 191.03 million for the FY2013, due to decrease in trading sales.

Manufacturing Expenses

Manufacturing cost increased by 6.97% to Rs. 458.04 million for the FY2014 from Rs. 428.20 million for the FY2013, primarily on account of increase in cost of packing material, power and fuel and labour cost and increased cost during the last quarter of the Financial Year relating to commencement of production at US plant.

Employee benefits expense

Employee benefits expense increased by 131.12% to Rs. 121.69 million for the FY2014 from Rs. 52.65 million for the FY2013. This increase was primarily as a result of increases in number of employees after commencement of production in the US plant.

Administration and other expenses

Administration and other expenses decreased by 26.80% to Rs. 191.93 million for FY2014 from Rs. 262.20 million for the FY2013, primarily as a result of substantial decrease in freight & forwarding expenses by change of freight and forwarding agent and on account of write off of the duty drawback (accounted since Financial Year 2008) in FY 2013.

Finance costs

Finance costs increased by 0.70% to Rs. 43.77 million for FY2014 from Rs. 43.47 million for FY2013.

Depreciation and amortization expense

Depreciation and amortization expense increased by 33.83% to Rs. 110.07 million for the FY2014 from Rs. 82.24 million for the FY2013 , primarily as a result of commencement of production in US plant in the last quarter of the Financial Year and due to commencement of production for Nylon 66 on pilot basis.

Tax Expense

Tax expense increased to Rs. 89.40 million for the FY2014 from Rs. 44.85 million for the FY2013, primarily due to increase in profit, expiration of the exemption available under the section 80 IB of I.T. Act and increase in tax surcharge rate from 5% to 10% for the FY2014

Financial Year 2013 compared with Financial Year 2012

Total Revenue

Total revenue increased by 15.87% to Rs. 2,595.08 million for the FY2013 from Rs. 2,239.52 million for the FY2012, primarily due to increase in Revenue from operations as explained below

Revenue from operations

Revenue from operations increased by 16.19% to Rs. 2,586.95 million for the FY2013 from Rs. 2,226.48 million for the FY2012, primarily due to an increase in sales volume & better sales realization due to favourable exchange rate fluctuations.

Other Income

Other income decreased by 37.62% Rs. 8.14 million for the FY2013 from Rs. 13.04 million for the FY2012, primarily on account of profit from sale of fixed assets & receipt of duty drawback during the Financial Year 2012.

Total Expenses

Total expenditure increased by 11.97% to Rs. 2,244.63 million for the FY2013 from Rs.2,004.57 million for the FY2012, primarily as a result of increases in raw material cost due to increased sales volume, increases in employees benefit expenses & on account of duty drawback written off in FY2013 as explained below.

Cost of Material consumed with changes in inventories of finished goods and work-in-progress

Material consumption cost increased by 13.84% to Rs. 1184.91 million for the FY2013 from Rs. 1040.87 million for the FY2012, primarily due to increase in sales volumes.

Purchase of stock-in-trade

Stock in trade cost increased by 12.16% to Rs. 191.03 million for the FY2013 from Rs. 170.31 million for the FY2012, on account of increase in trading sales in India during FY2013.

Manufacturing Expenses

Manufacturing cost increased by 11.12% to Rs. 428.20 million for the FY2013 from Rs. 385.33 million for the FY2012, primarily due to increase in cost of packing material, power and fuel, Oil & chemicals and labour cost.

Employee benefits expense

Employee benefits expense increased by 8.33% to Rs. 52.65 million for the FY2013 from Rs. 48.60 million for the FY2012. This increase was primarily as a result of normal increases in salaries.

Administration and other expenses

Administration and other expenses increased by 5.17% to Rs. 262.20 million for the FY2013 from Rs. 249.30 million for the FY2012, primarily on account of write off of the duty drawback accounted since Financial Year 2008) in FY 2013.

Finance costs

Finance costs increased by 46.24 % to Rs. 43.47 million for the FY2013 from Rs. 29.72 million for the FY2012, as a result of interest on the additional ECB loans taken for the wind power business & on account of Stand-by Letter of Credit charges.

Depreciation and amortization expense

Depreciation and amortization expense increased by 2.22% to Rs. 82.24 million for the FY2013 from Rs. 80.45 million for the FY2012, as a result of normal capex addition.

Tax Expense

Tax expense increased to Rs. 44.85 million for the FY2013 from Rs. 26.58 million for the FY2012, primarily due to increase in profits.

CASH FLOW

The table below summarizes our cash flows for the Financial Years 2014, 2013 and 2012:

CONSOLIDATED SUMMARY CASH FLOW STATEMENT						
		31st March 2014		**31st March 2013**		**31st March 2012**
CASH FLOW FROM THE OPERATING ACTIVITIES						
Net Profit Before Tax and Extraordinary items		**421.41**		**350.38**		**234.93**
ADJUSTMENT FOR						
Depreciation	110.07		82.244		80.453	
Interest Paid	68.606		56.943		38.927	

Interest Received	-24.831		-13.48		-9.206	
Capital Gain/Loss on Sale of Investment/Assets	-5.827		0.053		-3.097	
Dividend Received	-44.173	**103.84**	-1.352	**124.41**	-0.314	**106.76**
Operating Profit Before Working Capital Changes		**525.25**		**474.79**		**341.69**
Net Cash Flow from Operating Activities (1)		**348.77**		**273.22**		**-10.50**
Net Cash Flow from Investing Activities (2)		**-1,238.24**		**-545.04**		**-110.29**
Net Cash Raised From Financing Activities (3)		**1,039.52**		**364.99**		**110.92**
Net Changes in Cash & Cash Equivalent (1+2+3)		**150.06**		**93.169**		**-9.875**

Cash Flow from Operating Activities

Net cash generated from operating activities increased to Rs. 348.77 million for the FY2014 from Rs. 273.22 million for the FY2013, primarily due to an increase in profit from operations.

Net cash generated from operating activities increased to Rs. 273.22 million for the FY2013 from Rs. -10.50 million for the FY2012, primarily due to an increase in profit from operations & decrease in working capital relating to Trade receivables & inventories during the FY2012.

Cash Flow from Investing Activities

Net cash used in investing activities was Rs. 1238.24 million for FY2014, primarily on account of capital expenditure for Nylon 66 plant & investment in the US Bank Community Development Corporation Investment Fund 8, LLC.

Net cash used in investing activities was Rs. 545.04 million for FY2013, primarily on account of capital expenditure for operations, capex in wind mill & investment in mutual funds.

Net cash used in investing activities was Rs. 110.29 million for FY2012, on account of capital expenditure.

Cash Flow from Financing Activities

Net cash generated from financing activities was Rs. 1039.52 million for FY2014, comprising of long term loan taken for the Sarlaflex Inc. (from Citibank N.Y., Bank of America and DBS Bank) & for Saraflex LLC (National New Market Fund Sub-CDE XXIII LLC LOAN 'A' & 'B')

Net cash generated from financing activities was Rs. 364.99 million for FY2013, primarily comprising of long term loan taken for the wind power business & on account of increase in the working capital loan.

Net cash generated from financing activities was Rs. 110.92 million for FY2012, primarily on account of increase in the working capital loan.

VI. OPPORTUNITIES AND THREATS

The textile sector exports (including ready-made garments) amounted to approximately USD155 billion in Financial Year 2014, slightly better compared to that in Financial Year 2013. Textile exports now form 11% of

India's total exports. Until Financial Year 2008 the textile exports formed 15-26% of India's total exports. The textile exports registered slightly better growth due to the depreciation in Rs. vis-à-vis the USD last year. The exports of man-made fiber fell as compared to the previous year. This indicates that the cost of production of Indian companies is not competitive and that the poor infrastructure, high cost of power and fuel and low labor productivity is hampering India's export growth in the textile sector.

(Source: Annual Report of our Company: 2013-2014)

Bearing the same in mind we have forayed into setting up the POY unit in US. Apart from our exports of yarn on worldwide basis, the new unit in US will enable us to cater to the 'compliant' yarn market. There is a growing preference for sourcing readymade garment and yarn for consumption in the US from the US, NAFTA and CAFTA area. A direct presence in the US puts us in a better position to capitalize on this opportunity. We also have a strong opportunity for growth in the nylon yarn segment with Nylon 66 production expected to commence soon.

As regards, our wind power business, though is provides better return on investment, we do not have any immediate expansion plans. While many of the state power utilities are under duress, we deal with the Gujarat and Maharashtra electricity utilities and some large private companies which are in reasonable health.

VII. RISK AND CONCERNS

Business Concentration risk

Risks arise from a dependence on particular customers, suppliers, products or markets. An over reliance on a customer or on a supplier for a substantial part of our business increases our vulnerability to delivery and sales and could lead to significant margin pressure. A dependence on certain markets could make us susceptible to swings in customer demand or changes in the market environment.

We are actively pursuing opportunities in around the geographies in which we operate Building strong relationships with customers to be a valuable and reliable business partner for them is one of the guiding principles of our Company which has enables us to retain our key clients for about five years.

Raw Material Sourcing

We source 42.10% of our raw material requirements (nylon and polyester chips/fiber) from India and 57.90% from imports.

Interest Rates

Our Company's average gross interest cost in Financial Year 2014 was below 2.79 % as compared to 4.19% in the previous year. Our interest cost is 1.67% of total revenue.

Exchange Rate

We earn around 61% per cent of our revenue in foreign currency (Dollar, Euro & GBP) including trading sales and balance is in Rs. Also, we import about 34% per cent of turnover (84% of which consists of raw material purchases) creating a natural hedge to that extent. Apart from this, from time to time forward cover is taken to hedge exposure in foreign currency. Our mark-to-market forex gain for Financial Year 2014 is Rs. 24.67 million. In order to mitigate the exchange rate risk we hedge our foreign exchange by taking Packing Credits in Foreign Currency (PCFC) against our export orders and for balance forward contracts are entered.

We have well established internal control systems for operation of our Company and its subsidiaries. Finance department in partnership with other departments plans, implements and monitors the internal control systems. In addition, an independent audit firm undertakes an assessment of internal controls and compliance with our operating policies.

VIII. LIQUIDITY AND CAPITAL RESOURCES

Our Company's primary liquidity needs have been to finance the growth of its business and expenditures. Our Company has historically financed the majority of its working capital, capital expenditure and other requirements through its operating cash flow & borrowings.

IX. BORROWINGS

To fund our working capital and capital expenditure requirements, we enter into long-term and short-term credit facilities. As of March 31, 2014, our outstanding total borrowings amounted to Rs. 2332.58 million as detailed in the following table:

Particulars	Rs. in million
Long - Term Borrowing	
Secured	1557.55
Un-secured	32.89
	1590.44
Short - Term Borrowing	
Secured	719.63
Un-secured	22.51
	742.14
Total	**2332.58**

X. DEBT- EQUITY RATIO & INTEREST COVERAGE RATIO

Our debt-equity ratio, as of March 31, 2014, March 31, 2013 and March 31, 2012 was 1.38, 0.80 and 0.52 respectively.
Our Long-term debt-equity ratio, as of March 31, 2014, March 31, 2013 and March 31, 2012 was 0.94, 0.31 and 0.08 respectively.
Our interest coverage ratio, as of March 31, 2014, March 31, 2013 and March 31, 2012 was 9.63, 8.06 and 7.90 respectively.

XI. CONTINGENT LIABILITIES

The following table provides our contingent liabilities as on March 31, 2014:

Particulars	Amt in Rs. million
Letter of Credit	187.35
Stand by Letter of Credit	501.39
Guarantees	43.19
Excise & Custom Duty	277.16
Bill Discounted	204.68
CST Liability (In respect of Invoice Value)	214.45

Income Tax for AY 2003-04	1.32
Income Tax for AY 2011-12	0.01

XII. OFF BALANCE SHEET ARRANGEMENTS

We do not have any material off balance sheet arrangements.

XIII. RELATED PARTY TRANSACTIONS

For details in relation to the related party transactions entered into by our Company during the last three Financial Years as per the requirements of AS-18 issued by the ICAI see the section titled "**Financial Statements**" on page [•].

XIV. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the last 3 years.

XV. USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amount of income and expenses during the year of account.

XVI. AUDITORS QUALIFICATION

There have been no qualifications or adverse remarks of auditors on the financial statements of our Company in the last five Financial Years immediately preceding the year of circulation of this Placement Document

XVII. SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO MARCH 31, 2014

We had received dividend amount of Rs. 52.97 million from our Subsidiary, SOHL in September, 2014.

INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by our Company, the Book Running Lead Manager or its legal or financial advisors, and no representations are made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness, underlying assumptions and reliability cannot be assured. Accordingly, investment decisions should not be based on such information.

The information in this section is derived from various government publications and other industry sources. Such information, data and statistics may be approximations or may use rounded numbers. Certain data has been reclassified for the purpose of presentation and much of the available information is based on best estimates and should therefore be regarded as indicative only and treated with appropriate caution. Neither we, nor any other person connected with the Issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based on such information.

The information presented in this section has been obtained from publicly available documents from various sources including stock exchange and industry websites and from publications and government and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Preliminary Placement Document is reliable and that website data is as current as practicable, these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies.

INDIAN ECONOMY

India is one of the fastest growing economies in the world. It has grown at an average rate of 5.43% per annum during the last three years. [*Source: World Bank, website : http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG*]. The outlook for the Indian economy has improved recently with cautiously positive business sentiments, improved consumer confidence, expectations of a modest recovery in growth and decline in inflation expectations.

Results of FICCI's latest Economic Outlook Survey point towards a recovery in the year 2014-15. The median GDP growth forecast of India is estimated at 5.5% for 2014-15, with a minimum and maximum range of 5.0% and 6.0% respectively. The industrial sector is projected to witness an uptick, with a median growth forecast of 3.3% in 2014-15.

India holds a 6.4% share of global gross domestic product (GDP) on purchasing power parity (PPP) basis and presently is the third biggest economy in the world in terms of PPP, according to a World Bank report. India's foreign exchange reserves rose by US$ 857 million for the week ending on June 27, 2014, to touch US$ 315.78 billion, while foreign currency assets rose by US$ 851 million to reach US$ 288.81 billion. The industrial sector in India looks positive as industrial production grew at a 13-month high rate of 3.4 per cent in April 2014, driven mainly by electricity generation and manufacturing, as indicated by the Index of Industrial Production (IIP). The trade and external sector showed improvement as exports posted double-digit growth in May, 2014, the highest in six months, as shipments of key commodities registered strong increases.

[*Source: http://www.ibef.org/economy/indian-economy-overview*]

The following table presents a comparison of India's real GDP growth rate with the real GDP growth rate of certain other countries:

Country name	2013	2012	2011	2010	2009
China	7.70	7.70	9.30	10.40	9.20
India	**5.00**	**4.70**	**6.60**	**10.30**	**8.50**
Malaysia	4.70	5.60	5.10	7.40	(1.50)
Singapore	3.90	2.50	6.10	15.20	(0.60)
Australia	2.70	3.60	2.20	2.00	1.70
Honduras	2.60	3.90	3.80	3.70	(2.40)
Brazil	2.50	1.00	2.70	7.50	(0.30)
United States	1.90	2.80	1.80	2.50	(2.80)
United Kingdom	1.70	0.30	1.10	1.70	(5.20)
Japan	1.50	1.40	(0.50)	4.70	(5.50)
Germany	0.40	0.70	3.30	4.00	(5.10)
France	0.20	-	2.00	1.70	(3.10)
Spain	(1.20)	(1.60)	0.10	(0.20)	(3.80)
Portugal	(1.40)	(3.20)	(1.30)	1.90	(2.90)

[*Source : World Bank, website : http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG*]

Recent Developments and Initiatives

According to the Economic Survey 2013-14, as presented by the Union Finance Minister, Mr Arun Jaitley on July 10, 2014:

- The fiscal deficit declined from 5.7 % of GDP in 2011-12, to 4.9 % in 2012-13 and further to 4.5 % in 2013-14.
- Average WPI inflation declined in 2013-14 to 6.0 % vis-à-vis 8.9 % in 2011-12 and 7.4 % in 2012-13.
- The share of exports in GDP increased from 24 % in 2012-13 to 24.8 % in 2013-14, while the share of imports declined from 30.7 % to 28.4 %, resulting in an improvement in net exports by 3.1 percentage points of GDP.

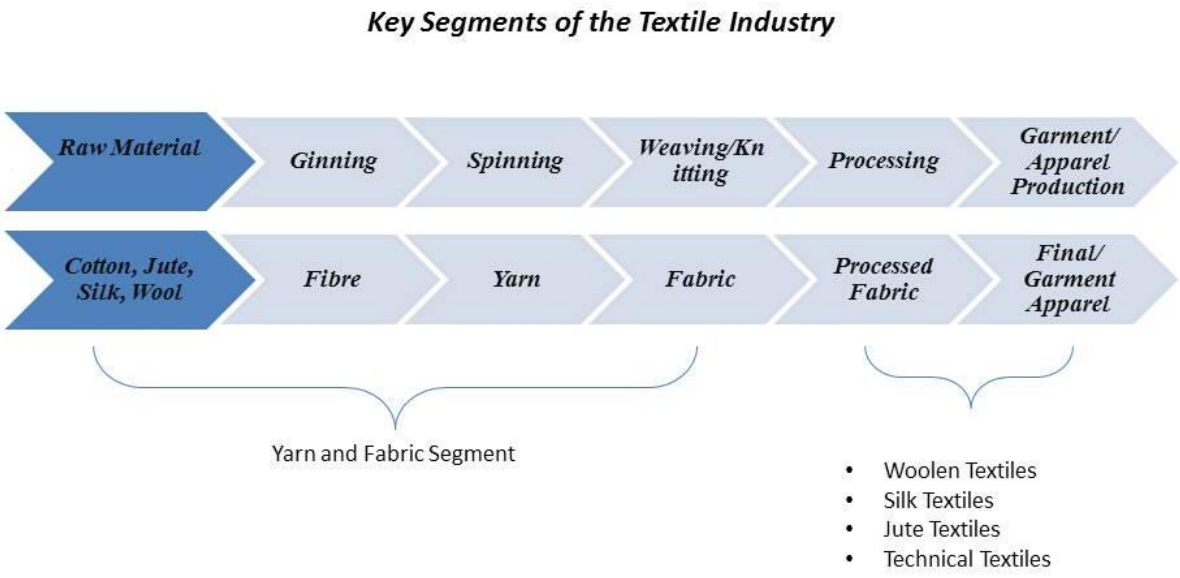
As per the provisional estimates released by the Central Statistics Office as part of the Economic Survey 2013-14, the growth rate of GDP at factor cost (at constant 2004-05 prices) during 2013-14 is estimated at 4.7 % as compared to the growth rate of 4.5 % in 2012-13 (first revised estimate) and 6.7 % in 2011-12 (second revised estimate). *(Source: Economic Survey 2013-14, www.indiabudget.nic.in)*

Inflation

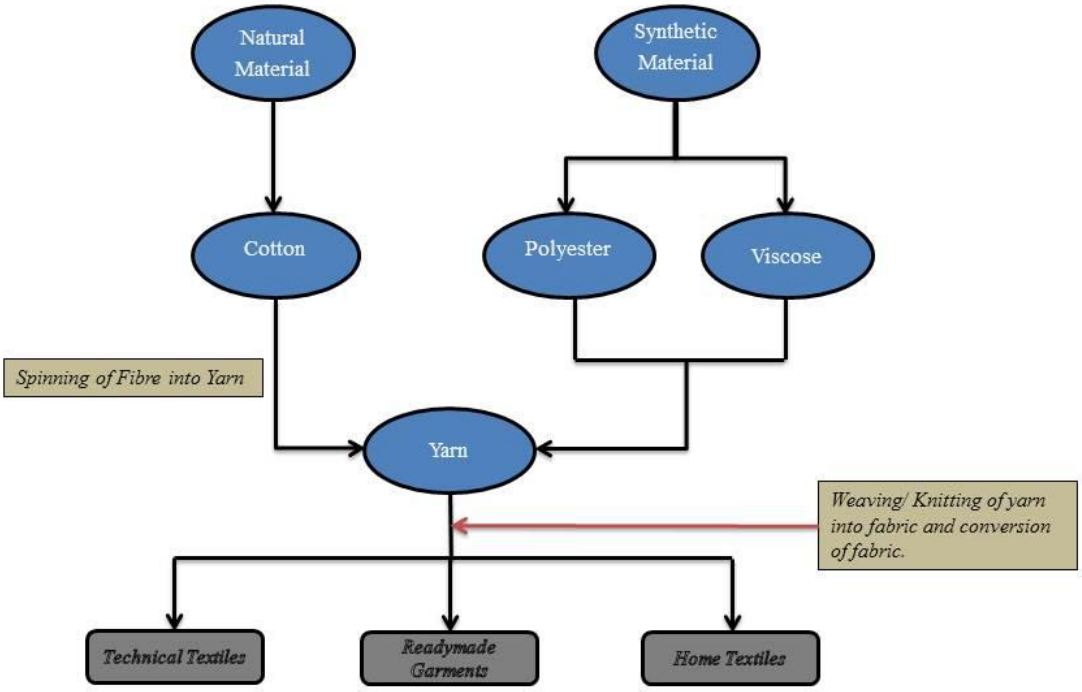
The annual rate of inflation, based on monthly WPI, stood at 5.20% (provisional) for the month of April, 2014 (over April,2013) as compared to 5.70% (provisional) for the previous month and 4.77% during the corresponding month of the previous year. Build up inflation rate in the Financial Year so far was 0.22% compared to a build up rate of 0.71% in the corresponding period of the previous year. The index for 'Textiles' group rose by 0.9 percent to 142.6 (provisional) from 141.3 (provisional) for the previous month due to higher price of jute yarn (13%), cotton yarn (4%), gunny and hessian cloth (3%) and tyre cord fabric, jute sacking bag and man made fibre (1% each). However, the price of woolen textiles (1%) declined.

(Source: http://pib.nic.in/newsite/PrintRelease.aspx?relid=105074)

I. TEXTILE INDUSTRY



Textile Chain and End use of the Raw Material is illustrated as follows;



a. Global overview of the Textile Industry

One of the key drivers of global industry growth has been the lifting of import quotas into the United States following the expiration of the Multi-Fibre Agreement (the "MFA"), also known as the Agreement on Textiles and Clothing, in January 2005. The lifting of import quotas decreased the costs for new entrants into the US market, reducing prices considerably in the textile and apparel industry. However, the falling prices have led to increased consumer spending that is driving volume sales and fuelling growth in the industry. In addition to competition-induced efficiencies, companies are now able to source inexpensive products from low-cost labour areas such as the Asia-Pacific region, while still maintaining similar revenue margins as in the past. As the textile and apparel market becomes increasingly saturated, companies in these markets are looking towards cost cutting measures to reduce prices and increase sales.

(Source: Ministry of Textiles Annual Report 2009-10).

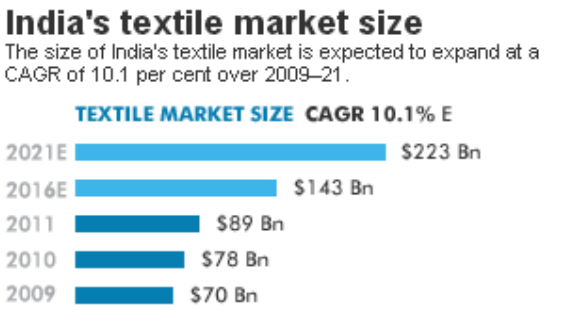
b. *Overview of the Indian Textile Industry*

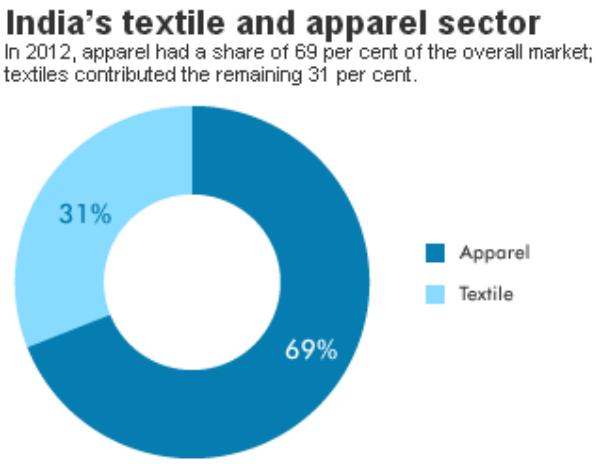
Indian textile industry contributes about 11% to industrial production, 14% to the manufacturing sector, 4% to the GDP and 12 per cent to the country's total export earnings. It provides direct employment to over 35 million people, the second largest provider of employment after agriculture. Besides, another 54.85 million people are engaged in its allied activities**.** The fundamental strength of this industry flows from its strong production base of wide range of fibres / yarns from natural fibres like cotton, jute, silk and wool to synthetic /man-made fibres like polyester, viscose, nylon and acrylic The strong multi-fibre base is highlighted by the following important positions attained by the Indian textile industry globally:

- **Cotton –** India is the second largest cotton and cellulosic fibres producing country in the world.
- **Silk** – India is the second largest producer of silk and contributes about 18% to the total world raw silk production.
- **Wool** –India has the third largest sheep population in the world, having 61.5 million sheep, producing 45 million kg of raw wool, and accounting for 3.1% of total world wool production. India ranks sixth amongst clean wool producer countries and 9th amongst greasy wool producers.
- **Man-Made Fibres**- the fourth largest in synthetic fibres/yarns globally.
- **Jute** – India is the largest producer and second largest exporter of the jute goods.

[*Source: Website of the Confederation of Indian Textile Industry available at http://www.citiindia.com/textile-industry/indian-textiles-overview.html*]

Facts on the Indian textile market are illustrated below;





[*Source: IBEF, Website: http://www.ibef.org/industry/textiles.aspx*]

The domestic market for textile has started showing uptick with recent boost in the following categories of products:

Cotton

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right from processing to trading of cotton. The Indian Textile Industry consumes a diverse range of fibres and yarn, but is predominantly cotton based. Cotton accounts for more than 75 % of the total fibre consumption in the spinning mills and more than 54 % of the total fibre consumption in the textile sector.

The Jute & Jute Textile Industry

India is the leading jute goods producing country in the world, accounting for about 70% of estimated world production. Bulk of the manufactured jute goods is predominantly being used in packaging purposes in domestic market.

Man Made Fibers

Man Made Fibers and Speciality Fibers domestic demand will rise at a growth rate of 8% per annum from 3900 million kgs. in 2015 to 6000 million kgs in 2020. Man-made fibers and speciality fibers are showing an increase in production of 8% and total production has reached 1400 million kgs.

Technical Textiles

Technical Textiles are defined as Textile material and products that are manufactured primarily for technical performance and functional properties rather than aesthetic properties and decorative characteristics. These products have a presence in major areas of activity such as aerospace, shipping, sports, agriculture, defense, medicine/ health, manufacturing, etc.

New initiatives with special focus on the North East Region have also been envisaged with an overall outlay of Rs. 482 crores during 12th Five Year Plan for promoting Geotechnical Textiles and Agro textiles.

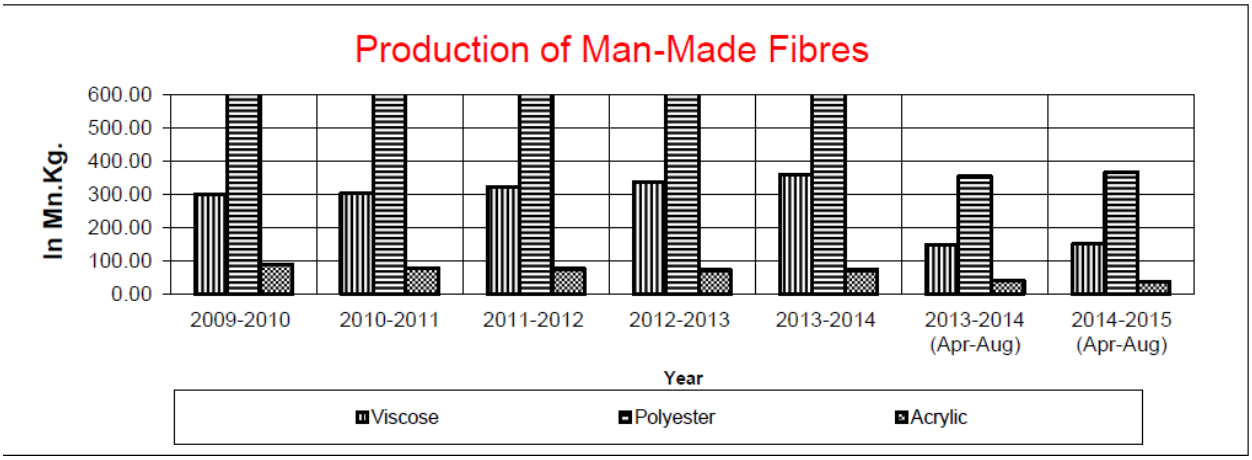
[*Source: Annual Report 2013-14 of Ministry of Textiles, Website: www.ministryoftextile.gov.in*]

In April 2014, filament yarn, blended and 100% non-cotton yarn production and cloth production under handloom and hosiery sector have recorded decrease in production by 2.7%, 5.3%, 6.4% & 4.1% respectively. All the other sub-sectors have shown positive growth ranging from 1.6% to 8.9%. Total cloth production has increased by 1.8% during the period; the current market trend is as indicated below:

Category	Sub-Category	Unit	2012-13	2013-14	April 2013	April 2014	Rate of Growth
Fibre	Man-made fibre	Kg.	1263	1316	101	110	8.9
Yarn	Filament Yarn	Kg.	1371	1309	110	107	-2.7
	Cotton Yarn	Kg.	3583	3936	321	326	1.6
	Blended and 100% non-cotton yarn	Kg.	1285	1380	114	108	-5.3
Cloth Production	Mill sector	Sq. Mtr.	2418	2560	205	215	4.9
	Handloom	Sq. Mtr.	6952	7116	595	557	-6.4
	Powerloom	Sq. Mtr.	38038	37712	2912	3091	6.1
	Hosiery	Sq. Mtr.	14541	15931	1326	1272	-4.1
	Total Cloth Production	**Sq. Mtr.**	**61949**	**63319**	**5038**	**5135**	**1.9**

[*Source: Monthly Summary for the month of May, 2014, Ministry of Textiles available at* *http://texmin.nic.in/ermiu/monthly_summary.pdf*]

Table below shows details of production of man-made fibres



(***Source****: Overview of MMF given by Ministry of Textiles available at http://www.texmin.nic.in/ermiu/mmf1.pdf*)

c. Export of Indian Textile

As per data of the Directorate General of Commercial Intelligence and Statistics (DGCI&S), under the Ministry of Commerce, Government of India , textiles (including handicraft, coir and jute) exports during the Financial Year 2013-14 registered a growth of 13.91% in US$ term and 27.04% in Rupee terms. Textiles (including

handicraft, coir and jute) exports have touched US$ 41.58 billion in Financial Year 2013-14 as against US$ 36.50 billion in Financial Year 2012-13. In Rupee terms, it is 25,21,421.6 million in FY 2013-14 as against 19,84,816.3 million in FY 2012-13. The share of textiles export in the Indian exports basket significantly increased from 12.15% to 13.26% in USD during 2013-14 as against overall Indian export growth of 4.37%. The same is illustrated in the illustration below:

Item	**In Rs. million**			**In US $ Million**		
	Apr-Mar 2012	**Apr-Mar 2013**	**% Growth**	**Apr-Mar 2012**	**Apr-Mar 2013**	**% Growth**
Textile Exports	18,05,115.00	22,73,046.80	**25.92**	33,194.73	37,470.25	**12.88**
Handicraft Exports	1,79,701.20	2,48,374.80	**38.22**	3,304.90	4,105.24	**24.22**
Total Textile Exports	19,84,816.30	25,21,421.60	**27.04**	36,499.63	41,575.49	**13.91**
Total Exports	1,63,43,188.40	1,89,97,301.90	**16.24**	300,400.68	313,542.91	**4.37**
Share of Textile exports in India's total Exports (%)	12.14	13.27		12.15	13.26	

As per U.N. Commodity trade data, in the global exports of textiles, India's ranking has improved in 2013 with India now replacing Germany as the second largest exporter after China.

India's top items of export in Textiles in 2013-14 consisted of Apparel (both knitted and not knitted), cotton and made ups. While the top countries for export for Apparel and Made ups are USA, UAE, UK and Germany, the top countries for export of cotton are China, Bangladesh, Pakistan and Vietnam.

[*Source: Monthly Summary for the month of May, 2014, Government of India, Ministry of Textiles (Economic Division) No.13/1/2013-ED available at* http://texmin.nic.in/ermiu/monthly_summary.pdf]

Export of Yarn

India's yarn export is one-third of its production in 2013-14. The comparative details on production and export for the last three years (2011-12, 2012-13 & 2013-14) and export as a % of production is given below:-

Production, export & export as % age of production

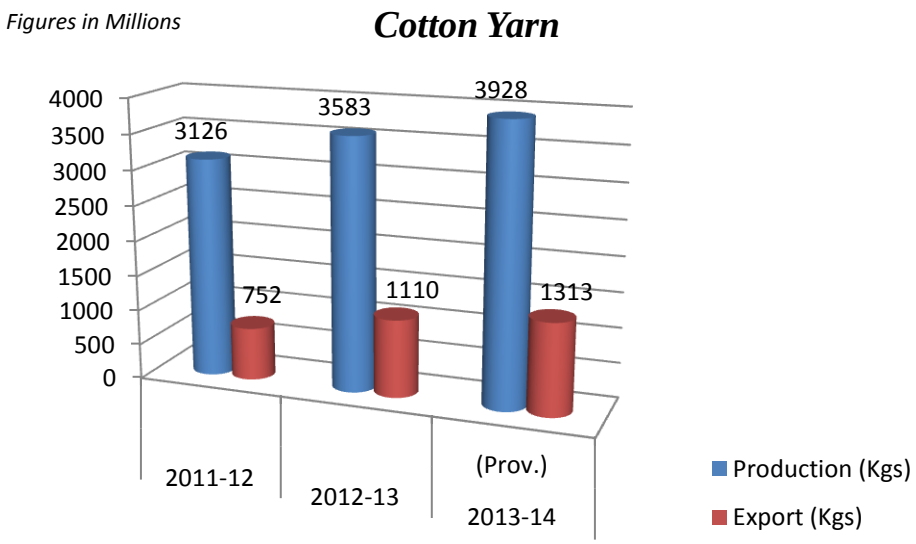
(Mn.kg.)

Items	Production			Export					
	2011-12	2012-13	2013-14 (Prov.)	2011-12	Export as percentage of production	2012-13	Export as percentage of production	2013-14 (Prov.)	Export as percentage of production
Cotton Yarn	3126	3583	3928	752	24%	1110	31%	1313	33%
Other Spun yarn	1246	1285	1381	240	19%	212	16%	223	16%
Man-made filament yarn	1463	1371	1294	550	38%	602	44%	671	52%
Sub Total	**5835**	**6239**	**6603**	**1542**	**26%**	**1924**	**31%**	**2207**	**33%**

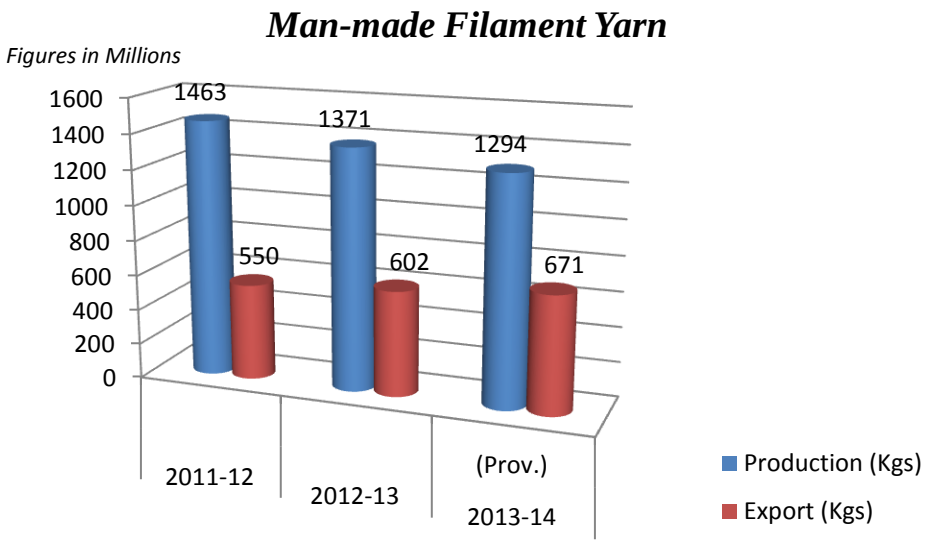
(Source: Press Information Bureau, website: http://pib.nic.in/newsite/erelease.aspx?relid=108710)

India's Export of Textiles compared to its Production is illustrated by the following graphs;

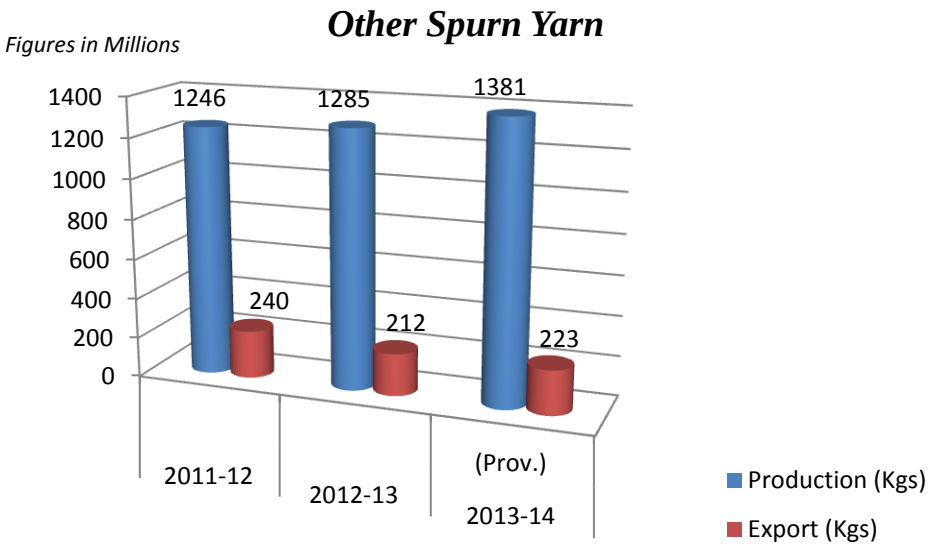
Total Cotton production in the country vis a vis its Export:



Total Man-made Filament Yarn in the country vis a vis its Export:



Total Other Spurn Yarn in the country vis a vis its Export:



d. Import of Textile in India:

With the increase in the manufacturing capability in the country, the textile imports during the FY 2013-14 registered a decline of 1.03% in US$ terms and a growth of 9.99% in Rupee terms. The share of textiles imports basket increased from 1.09% to 1.18% in USD during the FY 2013-14 as compared to the corresponding period of the previous year. The same is explained in brief in the following illustration;

Items	In Rs. million			In US $ million		
	April - March 2013	April - March 2014 (p)	% Growth	April - March 2013	April - March 2014 (p)	% Growth
Textile Imports	2,91,403.10	3,20,518.60	9.99	5,356.60	5,301.22	(1.03)
Total Imports	2,66,91,619.50	2,71,73,596.10	1.81	490,736.65	450,593.36	(8.18)
Share of Textile imports in total imports (%)	1.09	1.18		1.09	1.18	

The major item of import in textile consists of man made filament fibre, impregnated or coated textiles for industrial use, cotton and man made staple fibre. Our major import partners in respect of above commodities are China, Japan, Taiwan, Korea, Thailand, Germany, USA. [*Source: Monthly Summary for the month of May, 2014, Government of India, Ministry of Textiles (Economic Division) No.13/1/2013-ED available at* http://texmin.nic.in/ermiu/monthly_summary.pdf]

e. Government Initiatives

The Government of India has taken a lot of initiatives for the welfare and development of the weavers and handloom sector. Under revival, reform and restructuring (RRR) package, financial assistance to the tune of Rs.

10,190 million (US$ 168.49 million) has been approved and the government has already released Rs. 7,410 million (US$ 122.52 million). [*Source: IBEF, Website: http://www.ibef.org/industry/textiles.aspx*]

Some of initiatives taken by the Government of India to further promote the industry are as under:

- As per the 12th Five Year Plan, the Integrated Skill Development Scheme aims to train over 2,675,000 people within the next 5 years (this would cover over 270,000 people during the first two years and the rest during the remaining three years). This scheme would cover all sub-sectors of the textile sector, such as textiles and apparel, handicrafts, handlooms, jute and sericulture.
- The Government of India plans to set up Rs. 1,000 million (US$ 16.53 million) venture capital fund to provide equity support to start-ups in the textiles sector, in order to encourage innovative ideas in this export intensive sector.
- The Government of India has allotted Rs. 7,000 million (US$ 115.74 million) in the 12th Five Year Plan for the development of technical textiles. In 2012-13, the technical textiles industry reached Rs.7.48 trillion (US$ 123.68 billion) at an annual growth rate of 3.5 per cent.

Technology Upgradation Fund Scheme:

The Technology Upgradation Fund Scheme (Scheme) was launched on April 1, 1999, for a period of five years, and was subsequently extended upto March 31, 2007. The Scheme provides for interest reimbursement/capital subsidy/Margin Money subsidy and has been devised to bridge the gap between the cost of interest and the capital component to ease up the working capital requirement and to reduce the transaction cost etc. The Scheme is an important tool to infuse financial support to the textiles industry and helps it to capitalize on the vibrant and expanding global and domestic markets, through technology upgradation, cost effectiveness, quality production, efficiency and global competitiveness.

The Scheme was approved on August 29, 2013 for continuation till 2017 with modified financial and operational parameters and major focus on modernization of powerlooms sector. Interest reimbursement and capital subsidy for brand new shuttle less looms have been increased from 5% to 6% and 10% to 15% respectively. In addition, a pilot project for financing high tech shuttle less looms on hire purchase basis for decentralized powerlooms sector has also been introduced. Margin Money Subsidy in lieu of interest reimbursement and capital subsidy has also been increased from 20% to 30% and subsidy cap from Rs. 10 million to Rs. 15 million for brand new shuttle less looms. Sectoral cap of 26% is applicable only for spinning sector and there is no cap on other sectors. Capital subsidy is also increased from 25% to 30% in respect of Handloom and Silk Sectors. Margin Money Subsidy cap for MSME and Jute Sector has also been increased from Rs. 4.5 million to Rs. 7.5 million and 10% of the approved outlay for new sanctions has also been earmarked for Micro Small and Medium Enterprise (MSME) units. The Scheme is administered through 3 nodal agencies, 36 nodal banks and 108 co-opted PLIs. The Scheme, since its inception, has propelled investment of more than Rs. 25,00,000 million till March 31, 2014. An amount of Rs. 1,85,794.00 million has been released towards subsidy under the Scheme as on March 31, 2014. Planning Commission has approved an allocation of Rs. 1,19,528.00 million under the Scheme for the 12th Five Year Plan.

Scheme for Integrated Textile Parks (SITP):

The Scheme for Integrated Textile Parks (SITP) was approved in the 10th Five Year Plan to provide the industry with world-class infrastructure facilities for setting up their textile units by merging the erstwhile 'Apparel Parks for Exports Scheme (APES) and Textile Centre Infrastructure Development Scheme (TCIDS).

The scheme targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support. The project cost will cover common infrastructure and buildings for production/support activities (including textiles engineering, accessories. packaging), depending

on the needs of the Integrated Textile Parks (ITP). There will be flexibility in setting up ITPs to suit the local requirements.

- Forty Textiles Parks were sanctioned in the 10th and 11th Five Year Plan in the following States:
  i. Andhra Pradesh (5),
  ii. Gujarat (7),
  iii. Maharashtra (9),
  iv. Tamil Nadu (7),
  v. Rajasthan (6),
  vi. Karnataka (1),
  vii. Punjab (3),
  viii. West Bengal (1)
  ix. Madhya Pradesh (1).

- Twenty one new parks were sanctioned in November 2012, in the following States;-
  i. Andhra Pradesh (2),
  ii. Gujarat (1),
  iii. Himachal Pradesh (1),
  iv. J&K (1),
  v. Karnataka (1), vi. Maharashtra (6),
  vii. Rajasthan (4),
  viii. Tamil Nadu (2),
  ix. Tripura (1),
  x. Uttar Pradesh(1),
  xi. West Bengal (1).

- Nine Parks have been canceled due to various reasons in the States of:

  i. Rajasthan (3),
  ii. Andhara Pradesh (2),
  iii. Tamil Nadu (1),
  iv. Maharashtra (3).

[Source: Annual Report 2013-14 of Ministry of Textiles, Website: www.ministryoftextile.gov.in]

National Fibre Policy

The National Fibre Policy has been designed with a decadal perspective of 2010-20 and seeks to place India firmly on the World Fibre Map by strengthening the existing policy framework and providing institutional and technological support for rapid fibre growth in the country in the coming decade. The fibre neutral policy seeks to balance the existing disparities within the complete range of fibres by providing additional fiscal and non-fiscal incentives for sustainable growth of all fibres and be competitive in the international market.

The key targets of the National Fibre Policy thus include the following:

(i) It is estimated that the Textiles Industry would require investments worth Rs. 18,80,000 million during FY 2010-2020 for creating the required capacity along the textile value chain on the basis of estimate of increased fibre protection.

(ii) Cotton production is envisaged to rise at a growth rate of 4.7 % from 31.9 million bales in 2010-11 to 48.3 million bales in 2010-20; Cotton consumption is envisaged to increase to 41.3 million bales by 2010-20 with 70 lakh bales being surplus.

(iii) Man Made Fibres and Speciality Fibres domestic demand will rise at growth rate of 8% per annum from 3,900 million kgs in 2015 to 6,000 million Kgs in 2020. Man-made fibres and speciality fibres are showing an increase in production of 8% and total production has reached 1,400 million kgs.
[*Source: Annual Report 2013-14 of Ministry of Textiles, Website:* *www.ministryoftextile.gov.in*]

f. Future of the Industry

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted foreign direct investment (FDI) worth Rs. 69,858.60 million (US$ 1150 Million) during April 2000 to June 2014.

The future outlook for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with several international players like Marks & Spencer, Guess and Next having entered Indian market. The organised apparel segment is expected to grow at a compound annual growth rate (CAGR) of more than 13 per cent over a 10-year period.

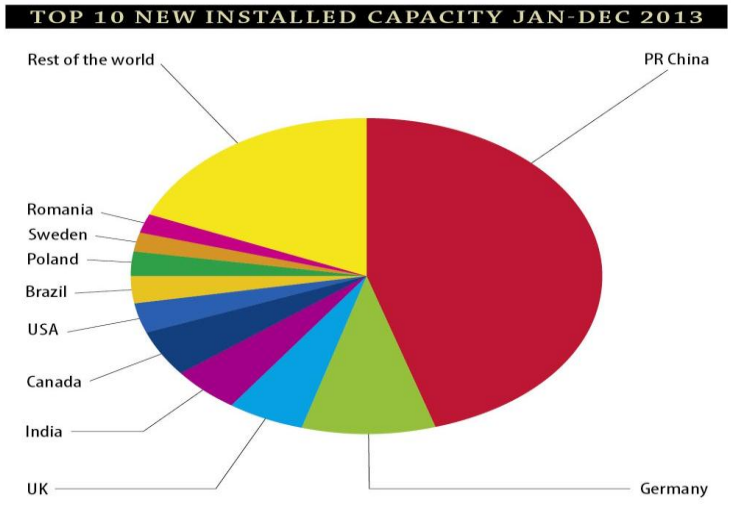
The Government of India is also taking initiatives to attract foreign investments in the textile sector through promotional visits to countries such as Japan, Germany, Italy and France.

Exchange Rate Used: INR 1 = US$ 0.0165 as on August 26, 2014
[*Source: IBEF, Website: http://www.ibef.org/industry/textiles.aspx*]

II. WIND ENERGY INDUSTRY

a. Global overview of the Wind Power Sector

Source: Global Wind Energy Council



Country	MW	% SHARE
PR China	16,088	45.6
Germany	3,238	9.2
UK	1,883	5.3
India	1,729	4.9
Canada	1,599	4.5
USA	1,084	3.1
Brazil	953	2.7
Poland	894	2.5
Sweden	724	2.1
Romania	695	2.0
Rest of the world	6,402	18.1
Total TOP 10	**28,887**	**82**
World Total	**35,289**	**100.0**

Source: GWEC

More than $1 600 billion was invested in 2013 to provide the world's consumers with energy, a figure that has more than doubled in real terms since 2000; and a further $130 billion to improve energy efficiency. Over the period to 2035, the investment required each year to supply the world's energy needs increases steadily towards $2000 billion, while annual spending on energy efficiency increases to $550 billion. This amounts to a cumulative global investment bill of more than $48 trillion, consisting of around $40 trillion in energy supply and the remainder in energy efficiency.

The main components of energy supply investment are the $23 trillion in fossil fuel extraction, transport and oil refining; almost $10 trillion in power generation, of which low-carbon technologies – renewables ($6 trillion) and nuclear ($1 trillion) account for almost three-quarters, and a further $7 trillion in transmission and distribution. [*Source: Executive Summary, World Energy Investment Outlook, OECD/IEA 2014, IEA Publishing available at http://www.worldenergyoutlook.org/investment/*]

b. ***Overview of the Wind Power Sector in India***

The Power Sector in India has made rapid strides during the last six decades in the field of generation, transmission, distribution and utilization of electricity. The installed generating capacity in the country in 1947 was meager 1,362 MW which has since grown manifold to 235 GW at the end of January 2014. (***Source: Monthly All India Installed Generation Capacity Report January 2014, Ministry of Power***).

In the early 1980's, the Department of Non-conventional Energy Sources (DNES) came into existence with the aim to reduce the dependence of primary energy sources like coal, oil etc. in view of the Country's energy security. The DNES became Ministry of Non-conventional Energy Sources (MNES) in the year 1992 and from 2006, the Ministry was renamed as Ministry of New & Renewable Energy (MNRE).

In its **12th Five Year Plan (2012-2017)**, the Indian Government has set a target of adding 18.5 GW of renewable energy sources to the generation mix out of which **11 GW is the wind estimation** and rest from renewable sources like Solar 4 GW and others 3.5 GW. [*Source: Report of the Working Group on Power for Twelfth Plan 2012-17*].

(***Source****: Report of The Working Group on Power for Twelfth Plan 2012-17, Govt. of India, Ministry of Power)*

BUSINESS

The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Preliminary Placement Document, including the information contained in the chapter titled "Risk Factors", beginning on page 46 of this Preliminary Placement Document.

I. BUSINESS OVERVIEW

We are a 100% EOU focused on manufacturing and export of specialty polyester and nylon textured, twisted and dyed yarns, covered yarns, high tenacity yarns and sewing thread. We believe that we are amongst the largest manufacturers of covered yarn in India and among few players globally catering to specialized yarns which are used in a variety of niche applications.

We commenced operations in 1995 as manufacturers of commodity yarns and gradually progressed to specialized and higher value added yarns in 2006. In consonance with such expansion from pure commodity yarns to specialized and higher value added yarns, we underwent a change of name from "Sarla Polyester Limited" to "Sarla Performance Fibers Limited". Our product portfolio evolved to include nylon textured/twisted and dyed yarn, sewing threads, rubber/spandex covered yarns and other value based products. We are listed on the BSE since 1995 and on the NSE since 2007.

With over two decades of involvement in the textile industry and physical presence in India, U.S. and Europe, we cater to over 116 customers across more than 40 countries. We believe that we have developed our reputation and image across a number of products in the domestic and international markets. We have been awarded 'Best Export Oriented Unit' (SSI Category – Textile & Textile Product) by Export Promotion Council for EOU & SEZ Units in 2005.

Our registered office is situated in Silvassa (Dadra and Nagar Haveli) with the corporate office located in Mumbai (Maharashtra). We have two manufacturing facilities in Silvassa (Dadra and Nagar Haveli) with a total installed capacity of 11,900 TPA for manufacture of polyester and nylon textured / twisted yarn, facilitated by an in-house dyeing facility at Vapi with an installed capacity of 3,200 TPA. We have also ventured into setting up our own manufacturing unit in USA in order to cater to the yarn requirements of our customers in the region. Based in Walterboro, South Carolina, this unit is involved in manufacturing of synthetic polyester yarn starting from the first stage of POY extrusion with a capacity of 30 tons per day. The total installed capacity of our U.S. plant is of approx. 9,900 TPA for manufacturing POY and textured polyester yarn each and 4,400 TPA for manufacturing twisted yarn. We believe that we are one of the pioneers from India to setup a textile manufacturing facility in the US. This has also enabled us to expand our product offering into furnishings, automotive and industrial markets. Our presence in international locations through our Subsidiaries and Joint Ventures helps us to reach the international clients and cater to the needs of Turkish, European and U.S. markets. We also have distribution facilities in Thailand and Vietnam.

Since 2010, our Company has also forayed into the business of wind power generation and has set up a separate division for the same. We commissioned our first WTG of 1.25 MW capacity in Baradiya, Gujarat in 2010 and further expanded in this sector by commissioning our second WTG of 2 MW capacity in Satara, Maharashtra in 2011 followed by setting up 2 more WTGs of 2 MW capacity each in Sangli, Maharashtra in 2012, taking our total wind power generation capacity to 7.25 MW.

We have not entered into any strategic alliances, technology collaborations and joint ventures (except the Joint Ventures by our Subsidiaries).

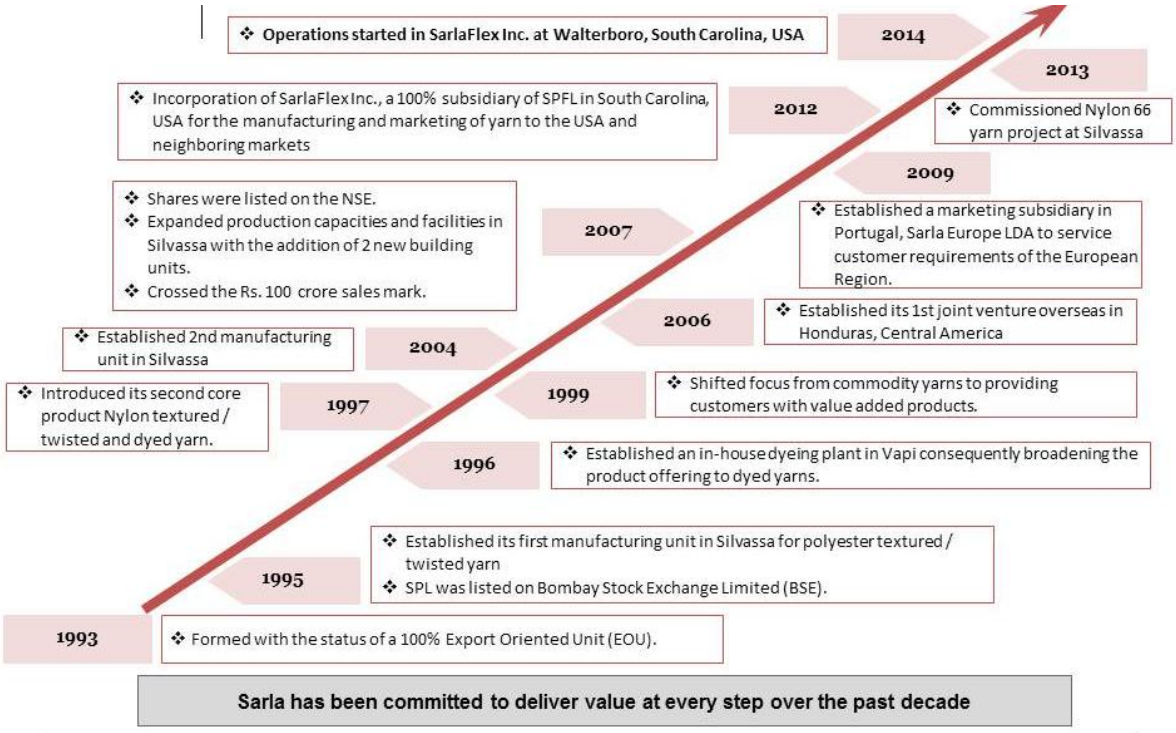
II. FINANCIAL SNAPSHOT

Our consolidated net revenue for the past three Financial Years, from the Financial Year ended on March 31, 2012, through the Financial Year ended on March 31, 2014, grew at CAGR rate of 8.44%, from Rs. 2226.5 million to Rs.2618.2 million. Our consolidated net revenue grew at a rate of 35.69%, from Rs. 605.26 million for the quarter ended June 30, 2013 to Rs. 821.26 million for the quarter ended June 30, 2014. During the aforementioned periods, our consolidated net profit grew at CAGR rate of 29.08%, from Rs. 189.2 million for the Financial Year ended on March 31, 2012 to Rs. 321.5 million in the Financial Year ended on March 31, 2014, and at a rate of (22.63%) from Rs. 81.85 million for the quarter ended June 30, 2013 to Rs. 63.32 million for the quarter ended June 30, 2014, respectively.

III. GROWTH TRAJECTORY

Since our inception, our Company has shown a decent growth trajectory. Over the years, we have grown from manufacturers of purely commodity yarns to specialized and higher value added yarns. We are now foraying into the manufacture of Nylon 66, which is a highly specialized product and is a result of our innovation and research and development process.

Below chart depicts our growth trajectory:



We aim to successfully become a pioneer in the Indian market in this product.

IV. PRODUCT PROFILE

Given below are the details of our current products, key raw material and few of the pertinent end user industries that our products cater to:

Key Products	Key Raw Materials	End User Industries
Bulkon	POY	Narrow Fabrics and Hosiery applications.

Key Products	Key Raw Materials	End User Industries
Polyester Texturised and Twisted Yarn	POY	Threads, Hosiery, Elastics, Medical Bandages
Textured Nylon Stretch Yarns	POY	Active Wear, Swim Wear, Narrow Fabrics and Tapes, Hosiery, Undergarments, Furniture Upholstery, Automotive Upholstery.
Textured Sewing Thread	POY	Swim wear, Fleece Goods, Towels and Washcloths, Table Cloths and Placemats, Sheets and Pillow cases.
Covered Yarns	POY/Lycra/ Spandex/ Rubber	Socks, Hosiery, Elastics, Narrow tapes, Hosiery, Lingerie, Seamless Knit wear, Medical Bandages, Knitted and Denim fabrics
High Tenacity Yarns	Nylon Chips / HT POY	Fishing Nets, Twines ,Filter Fabrics & Industrial Applications, Automotive seat belts and trims, automotive air bags, upholstery, dress, casual & athletic footwear, leather goods, soft luggage.
Fully Drawn Yarn & Nylon 6	Nylon Chips	Parachutes, Shoes, Seat Belts, Car Airbags, specialized sewing applications in automotive, shoes, leather, Industrial filters, hoses

Customer segment-wise break up of our revenue from manufacturing is as under:

Customer Segment	FY 2013-2014*
Innerwear, Narrow Fabrics, Hosiery & Sportswear	33.54%
Threads	32.05%
Industrial Yarns	9.91%
Commodities	24.50%

** % of Revenue from manufacturing operations*

We have commenced manufacture of Nylon 66 yarn at Silvassa in 2013 on pilot basis. Nylon 66 is high tenacity and lower shrinkage yarn, which is a highly specialized product and is a result of our innovation and research and development process. Being a niche product on its own it provides higher margins. We have installed capacity of 450 TPA at Silvassa for this product. This product has niche end user applications in Parachutes, Shoes, Seat Belts, Car Airbags, specialized sewing applications in automotive, shoes, leather, Industrial filters, hoses.

V. OUR KEY COMPETITIVE STRENGTHS

We believe that we are well positioned to capitalize on growth opportunities in the textile sector, in India and overseas.

- **Proven capabilities and demonstrated operating track record**

  We believe that we are a well-established company in the yarn sector. With over two decades of experience we have progressed from being manufacturers of pure commodity yarns to specialized and higher value added yarns and have successfully evolved a product portfolio to include nylon textured/twisted and dyed yarn, sewing threads, rubber/spandex covered yarns and other value based

products. We have been consistently working toward evolving a vast product portfolio. We emphasise our focus on high margin value added products viz. specialised polyester and nylon yarns. We believe we are amongst a few players globally catering to specialised yarns – used in a variety of niche applications. Our recent pilot project on Nylon 66, a high tenacity and lower shrinkage yarn is a result of our innovation and research and development process. We believe that our experience, combined with the years spent on research and development will give us an edge over our competitors after success of this new product.

- **Focused marketing thrust and proximity to customers**

  We value our customers and endeavor to build a strong relationship with them. We design the products to suit specific needs of our customers in line with change in trends. We have acquired various orders from reputed global customers. We have a relationship of five years and above with our top five customers from whom we get repeat orders for their requirements in India and overseas in some cases. This customer trust has been built on the foundation of our commitment to quality, providing end to end solution from design to delivery and our professional approach. We have set up warehouses in the vicinity of and proximate locations to, our large customer which enables us to cater to them just in time as per their requirements. This gives us visibility and contributes significantly towards expanding and deepening our relationships with the customers. We emphasize on providing innovative solutions to our customers and nurture relationships to drive our business growth. We have been able to retain our customers and have grown along with them.

- **Multi-geographical presence to serve key international markets**

  We have established a global clientele through our multi-geographical presence. Presently, we serve, through our Subsidiaries and Joint Ventures, customers from over 40 countries directly across six continents. Our Subsidiary SOHL established in the BVI (directly and through its subsidiaries and joint ventures) serves as marketing arm for our Company and has strong relations in the Asian, European and South American market. Similarly, having established a direct manufacturing facility in the U.S. through our Subsidiary, Sarlaflex, we have become compliant yarn makers in the U.S. permitting us to supply anywhere in the NAFTA and CAFTA region. This gives us a substantial benefit as apparels, inner wear and hosiery made from compliant yarn do not attract any duty. Most of the decision making process of leading global apparel players is handled in the U.S. We are able to provide the same yarn quality to our customers in the western hemisphere through our U.S. facility and in the eastern hemisphere through our Indian facility. Presence of manufacturing and distribution hub in close proximity to demand centers globally helps us in providing seamless services to our customers. We believe we are one of the few Indian manufacturers of polyester filament yarn to be directly present in NAFTA and CAFTA region and we are well positioned to be a preferred supplier to global manufacturers.

- **Superior products engineered to customers' needs**

  We manufacture a wide range of products which are engineered and designed to provide a complete package as per the requirements of the customer. Our emphasis is to focus on niche end user applications and higher value added yarns. We customize the products as per the specifications of our customers. This enables us to meet their specific requirements including density, tenacity, shades etc. thereby ensuring long term relationship with our customers.

- **Integrated production facilities and efficient operations**

  Our manufacturing facilities at Silvassa and Vapi are integrated and self-sufficient. The raw materials involved in our manufacturing process at Silvassa are readily available. Further output from the Silvassa unit serves as a raw material to our Vapi unit. To facilitate our power needs, we have also set up the WTG

in Gujarat where the power generated is primarily used for captive consumption by our Vapi unit. This integration is cost effective for our Company and results in optimum utilization of resources.

- **Low leverage – India Textile business has 'Zero ' Long Term Debt**

  We are extremely low leveraged with our Indian business having about "Zero" long term debt for our textile assets. Our Debt/equity ratio for F.Y. 2014 was 1.38 on a consolidated basis and 0.83 on a standalone basis. Our Long term debt/equity ratio for F.Y. 2014 was 0.94 on a consolidated basis and 0.13 on a standalone basis (on account of loan for wind power business). This gives us an edge over most players in similar sector. Our Company has endeavored to exercise prudence in its CAPEX and has kept the investments gradual yet steady. Consequently, the debt in our Company is low. A large proportion of operating cash flows are deployed back into the business in an endeavor to enhance productivity, efficiency and profitability.

- **Limited sensitivity to market fluctuations**

  Our Company does not cater to retail customers and serves primarily to the business segment. Our goods form a small part of our clients' cost structure so our Company is able to pass on the inflationary pressure when needed and is not sensitive to market fluctuations.

- **Healthy Performance Indicators**

  After establishing a strong foundation, our Company has taken the leap towards striving for growth which is evidenced from the following indicators:

(Amount: In Rs. million except per share data)

Period	March 31, 2014	March 31, 2013	March 31, 2012	CAGR %
Sales	2618.24	2586.95	2226.48	8.44
EBIDTA	575.25	476.09	345.10	29.08
Net Profit	321.49	279.78	189.16	30.36
Book Value	243.37	204.97	179.00	-
Dividend Payout (%)	16.21	14.90	18.40	-

Based on consolidated financial statements

- **Quality Policy**

  We are an ISO 9001:2008 certified company and have also been granted the Oeko-tex Standard 100 to use the Oeko-tex marks in May 28, 2014. Further, all of our manufacturing facilities and processes are in compliance with Annex XVII of REACH (Regulation of the European Union, adopted to improve protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the European Union chemicals industry) as per European Union requirements and standards as well as the American requirement regarding the total content of lead in articles made for children.

- **Expertise of our senior management**

  As our Company is the flagship business of our Promoters who are mainly engaged in this line of business through our Company, for over the past many years, they possess immense knowledge and expertise in this sector. We believe that the skills, industry and business knowledge and operating experience of our Promoters and senior executives provides us with a significant competitive advantage as we seek to expand in our existing markets and enter new geographic markets and lines of business. Our employees contribute significantly to our business operations. See section titled "*Management*" on page [•] for details of our key employees.

VI. OUR BUSINESS STRATEGIES

- **Expansion of our capacities**

  We are in the process of stable expansion and have formulated an expansion programme for increase in the manufacturing capacity in the U.S. to meet the potential international demand. We intend to optimize our US facility by increasing current capacity utilization from 30% to 100% going forward. Apart from this, there are plans, though not completely formulated currently, to expand the installed capacity of the POY and set up manufacturing capability of fully drawn yarn. We also intend to upgrade our existing manufacturing facilities in India.

- **Strive on Value Addition:**

  We intend to strive for development of value added and specialty products that cater to niche end use applications. Focus on value-addition and introduction of a host of new speciality products will facilitate higher margins andbetter a growth in realisations. Having built the foundation followed with a strong yet stable expansion drive, we have now reached a stage where our capacities and internal capabilities provide us with the ability to stress on value addition under different market conditions. We intend to concentrate on only value addition, high margin products (specialized yarn) in India going forward along with presence in commodity yarn in the U.S. With the prevalence of technical textiles for industrial applications in India, the demand drivers for Company's product would get further strengthened in future.

- **Continuous Innovation for high value products:**

  We recognize the importance of continued innovation in our products to cater to the needs of various customers. As part of our efforts, our qualified research team has been continuously working towards enhancing the utility and features of our existing products and creates new products customized for our diverse groups of users based on their geographic location and other criteria. We have ventured on pilot basis into manufacturing of specialty yarn Nylon 66 for which we have commissioned an installed capacity of 450 TPA at our Silvassa facility. Nylon 66 is a high tenacity and lower shrinkage yarn product which being niche and specialized in nature yields substantially high margins. We seek to focus on manufacture of products that are high quality and specialized products that are used in high end products ranging from parachutes to swimwear. We seek to maintain and strengthen our position amongst leading manufacturer of specialty yarn and to have success in production in Nylon 66 for desired quality and quantity in India. We have further enhanced our position as manufacturer of POY by stabilizing and growing our US manufacturing facility.

- **Global business strategy and product offering:**

  We currently have presence in 3 continents viz. Asia, America and Europe through our Subsidiaries and Joint Ventures. We believe that we are among the pioneers from India to realize the growing demand of compliant yarn in North America and have set up a manufacturing facility there. Our customer base is

spread over 40 countries across the continents. We intend to cater to a large customer base around the world through our presence. We believe that we are uniquely positioned to gain market share in both Polyester and Nylon fibers through our global business strategy and product offering. We intend to further position our Company as a global brand and build a business model without borders. We strategically locate our warehouses closer to client location to enable just-in time delivery model. We wish to deepen our reach in European and Asian market through sales agents, joint ventures and also capture the growing opportunity in the South American market through our Portuguese subsidiary.

- **Focus on catering to sectors which requires enhanced applications of specialized yarn**

  It is our Company's endeavour to constantly develop new value added products and finishes to capture our customers' requirements. We have continuously strived to cater products which have niche end applications. Our products are currently used for application in narrow fabrics, hosiery applications, medical bandages, knitted and denim fabrics, leather goods, soft luggage, automotive seat belts and trims, automotive air bags, upholstery etc. We intend to focus on such sectors which require enhanced applications of specialized yarns. Accordingly in our yarn segment we propose to focus on products such as high tenacity, low shrinkage, covered spandex and lycra yarns. In our threads segment, our main focus is to develop the market for value added segments such as automobiles, premium footwear and business, high end apparel and embroidery business.

- **Striving for higher revenues from the existing customers**

  We have longstanding relationship with some textile majors globally. We have been serving most of our key clients for over five years. We intend to further strengthen our association with them and strive to cater to most of their requirements in future thereby procuring higher revenue from repeat customers.

- **Maintain a sustainable and diversified business model**

  Our objective has been to create a sustainable and diversified business model in order to increase shareholder value and grow our revenues. We continue to follow the strategy for growth focused on innovation for high margin value added product and focus on international expansion. In order to accomplish this, we have incorporated subsidiaries to serve regions of U.S. and Europe, where we perceive opportunities for future growth and development. We intend to further expand our global presence and will evaluate potential opportunities to grow our business and expand our capabilities and/or geographical reach. We believe this strategy will mitigate our reliance on the growth of any one particular product, country or region from one or few customers and will complement our business and provide us with growth opportunities.

VII. SUBSIDIARIES

To cater to the increasing demand of our customers across various geographical locations and to enhance the distribution reach of our products, we have set up two overseas Subsidiaries viz. (i) SOHL in the BVI and (ii) Sarlaflex in the U.S. SOHL is a holding or investment arm for our overseas endeavors and is also engaged in the business of investments and trading. It has one subsidiary at Portugal and three joint ventures, one at Turkey and two at Honduras. SOHL, through its subsidiaries and joint ventures, caters to the European market. Through Sarlaflex, we also launched our yarns in the U.S. market, by setting up a 30 tons per day capacity plant in Walterboro, South Carolina, U.S. The total installed capacity of our U.S. plant is of approx. 9,900 TPA for manufacturing POY and textured polyester yarn each and 4,400 TPA for manufacturing twisted yarn. For further details on our Subsidiaries, please refer 142.

VIII. MANUFACTURING FACILITIES

We undertake our manufacturing operations from our manufacturing facilities in Silvassa, Dadra and Nagar Haveli, having two vertically integrated plants with a total installed capacity of 11,900 TPA for manufacture of polyester textured / twisted yarn, facilitated by an in-house dyeing facility at Vapi, Gujarat, with an installed capacity of 3,200 TPA. The facility at Silvassa is located in Amli village in the Union Territory of Dadra and Nagar Haveli on free hold property owned by our Company while the dyeing unit at Vapi is located in the Vapi Industrial Area of Gujarat Industrial Development Corporation and is taken on a long-term lease of 99 years from the Gujarat Industrial Development Corporation.

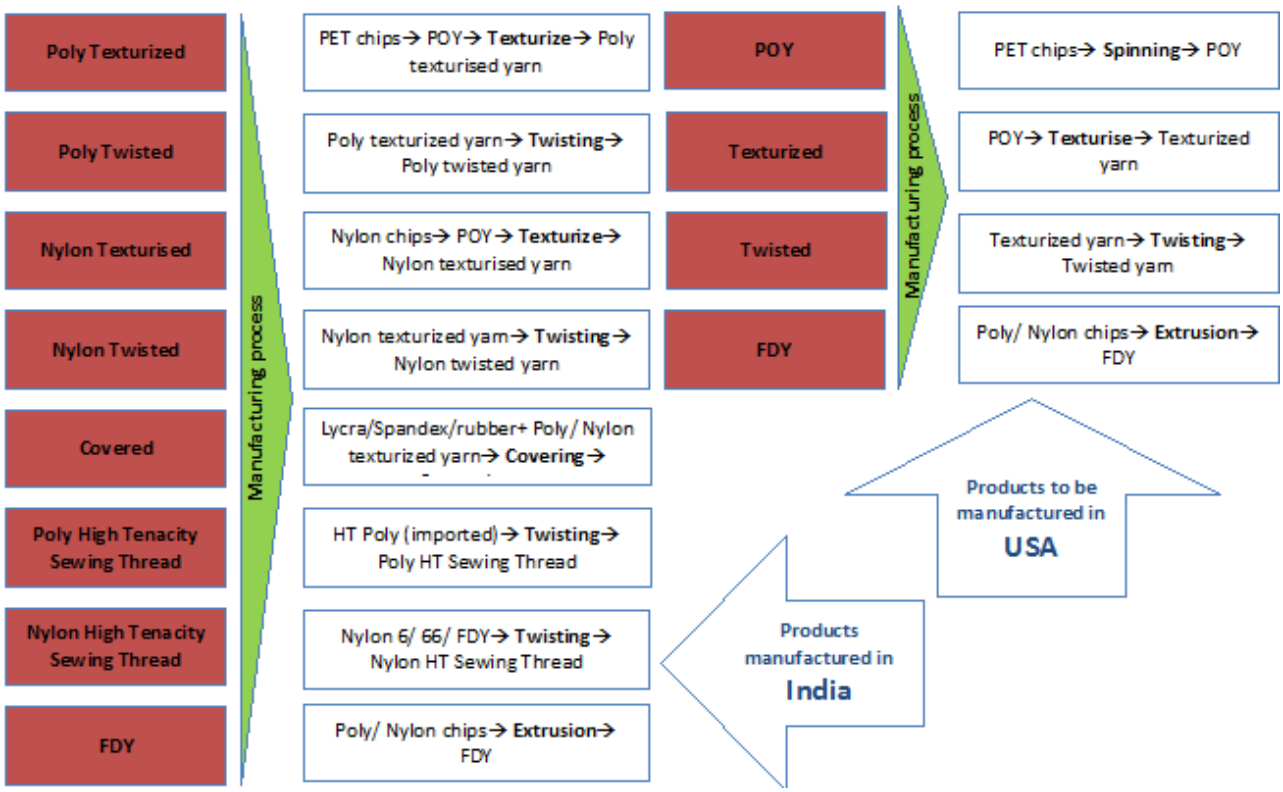
Our manufacturing unit in USA is involved in manufacturing of synthetic polyester yarn starting from the first stage of POY extrusion. The total installed capacity of our U.S. plant is of approx. 9,900 TPA for manufacturing POY and textured polyester yarn each and 4,400 TPA for manufacturing twisted yarn. We believe that we are one of the pioneers from India to setup a textile manufacturing facility in the US.

IX. RAW MATERIALS

Most of the raw materials required for production are readily available in local and international markets. We do not have any formal contracts or agreements with suppliers for procurement of raw materials. The basic raw materials required for our manufacturing activities include (i) polyester POY which is procured domestically and from international markets and (ii) nylon POY and nylon chips which are imported mainly from China, Malaysia, Vietnam and Taiwan. We procure the imported raw material through the letters of credit and locally on cash on delivery basis and procure raw material from domestic suppliers against purchase orders. Our raw material consumption is 55% of our total revenue. Our total raw material consumption for the Financial Year 2014 is Rs. 1271.86 million which includes the imported material worth Rs. 736.37 million (57.90% of total consumption) and indigenous material worth Rs. 535.49 Million (42.10% of total consumption).

X. MANUFACTURING PROCESSES

A brief outline of our process along with attribution of products manufactured in India and those in the United States is as set out below:



Set out below is a brief outline of the various processes involved in the manufacture of our products:

A. Spinning (FDY & POY)

The inputs for the spinning process are usually chips which are re-melted in an extruder and pumped to the spinner machine. In the spinning machine, the polymer melt is distributed to the spin packs by metering pumps. Different streams are passed through the small orifices in the spinnerets under pressure.

The extruded polymer jets from the spinneret are cooled by a cross blast of air and become bundles of filament. Each bundle is wound on bobbins (on take-up machines) up to a pre-determined weight. After reaching the predetermined weight and volume, the full bobbins check revolves automatically, and the yarn is cut and starts winding on other empty bobbins. Subsequently, the bobbins are pushed off the winder onto a doffer, which places the bobbins on an earmarked buggy, from where it goes for inspection, storage, and packing.

Pre-oriented or partially oriented yarn (POY) is obtained on the bobbins. This is a continuous filament yarn, where a high degree of molecular orientation is achieved; however, further orientation is possible. At different winding speeds, low-oriented yarn (LOY), medium-oriented yarn (MOY), and fully oriented yarn (FOY) are formed.

The main stages involved in the spinning process are:

- Chips Receipt
- Evaporating
- Extruding
- Melting
- Filament
- Solidifying

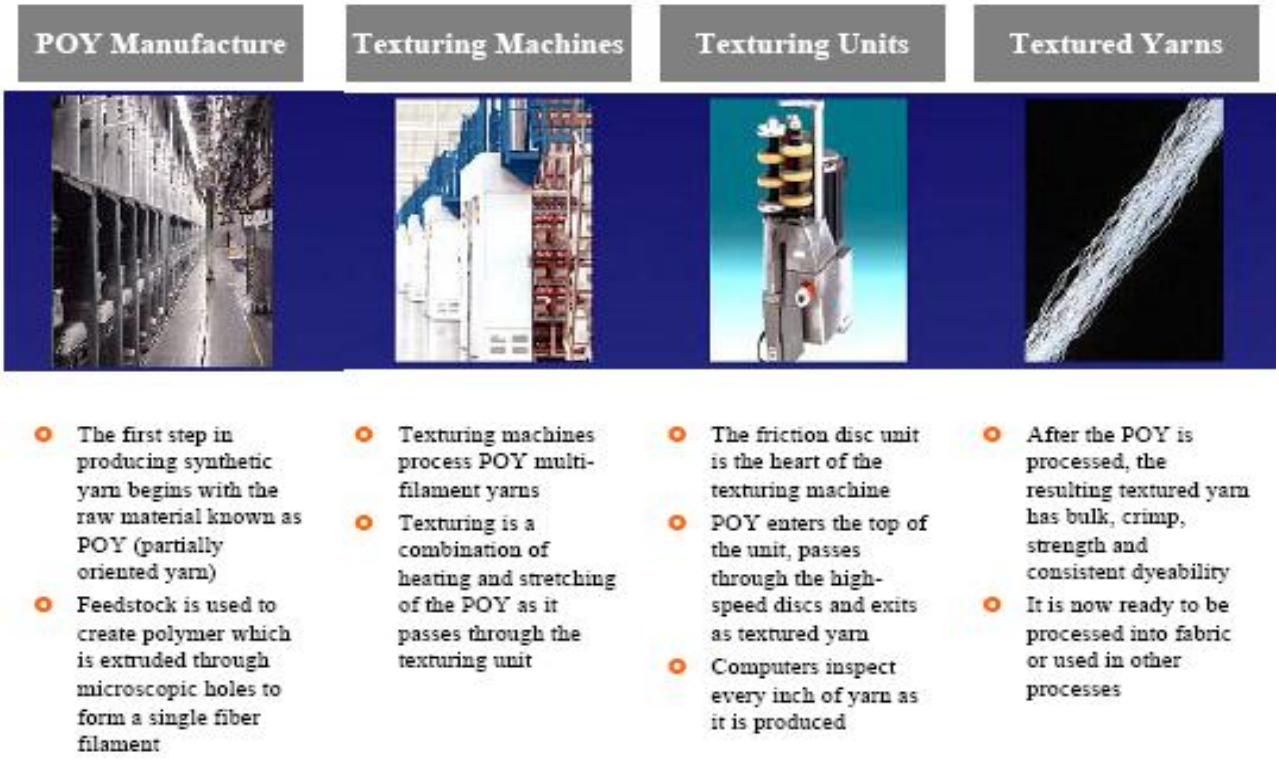
- Spin-fine oil application
- Winding
- Inspection
- Packing

B. Texturising

In this process, the yarn is lengthened and its properties are modified. The POY received from spinning, is then sent to draw texturisers, which largely add properties to the yarn, besides carrying out some further lengthening. The texturising machines introduce crimps, coils, loops or other fine distortions along the length of the filament, which impart properties such as hirsuteness, bulk, warmth in handling, and absorbency. Texturising processes are largely thermo-mechanical or mechanical, and do not involve chemicals. Around 85 per cent of the continuous filament yarn produced worldwide is texturised.

Some important processes are:

- **False twist process**: The continuous filament yarn is softened through heating and made more pliable. The softened yarn is deformed by twisting, and then cooled to set the deformation. The inserted twist is removed by reverse twisting.
- **Air texturising**: The continuous filament yarn is overfed into a turbulent air stream, which transforms the excess length into a series of random loops along the length of the yarn.
- **Crimping**: Crimping attempts to give the synthetic yarn the irregular form found in natural fibers. Crimp is defined in terms of the waviness of the fiber, and the degree of crimp produces different visual effects. Low crimp means a silky and lustrous fabric, and high crimp gives bulkier fabrics a woolly and dull appearance. One method of crimping is heating the yarn and passing it between a pair of gear wheels.
- **Winding**: The textured yarn is wounded on paper tube/ plastic tubes. The package weight will depends upon the requirement of the customer.
- **Inspection:** The individual textured packages are inspected by the inspectors for any defects. During the inspection, if there are any defects found in any of the packages, such packages will be segregated and the same shall separately be re-processed or discarded, as the case may be.
- **Packing:** The inspected packages are packed in polythene bags and finally packed in corrugated boxes. Labels are put individually on heavy package mentioning the denier, quality, lot number and weight. The packed boxes are weighted and package slip is attached with all details. The boxes are pelleted and dispatched.



C. Twisting

Twisting is a production process that binds fibres or yarns together in a continuous strand, accomplishing texturising operations. The direction of the twist may be to the right, described as 'Z twist', or to the left, described as 'S twist'. Twisting provides strength to the yarn. The twisted yarn is then wounded on plastic cones/ tubes, inspected and packed as per specific requirements of the customers.

D. Covering

Covering of yarn uses spandex/ lycra as its raw material alongwith nylon/ polyester texturised yarn. The lycra/ spandex spools are loaded on the feeder shaft. Nylon/ polyester texturised yarn which is on flanged bobbins is placed on the spindle of the machine. The lycra/ spandex is drafted as per the required quantity and passed through hollow spindle. The nylon/ polyester texturised yarn is twisted over the drafted lycra/ spandex where covering process takes place. The final covered yarn is wounded on plastic tube/ cones, inspected and packed as per specific requirements of customers.

Our manufacturing operations are carried out through our manufacturing facility set up in Silvassa having an installed capacity of 11,900 tons per annum spread over two plants and our dyeing unit having an installed capacity of 3200 tons per annum situated at Vapi only about 12 km. away from Silvassa. With our Company's own transportation facilities, there is no constraint in the movement of goods which enables our Company to cater to the customer's orders efficiently along with ensuring superior quality for products.

XI. MARKETING AND DISTRIBUTION

Our Company is focusing to strengthen its presence in global market, thereby limiting the risk to our business from an over-exposure in any single geography. Our customer base is spread over 40 countries across the continents. Our marketing step down subsidiary Sarla Europe LDA caters to the European markets. Further, with Sarla Europe LDA being located at the western tip of Europe, we are able to service customers in South America region as well. We have a presence in the US through our subsidiary, SarlaFlex for meeting the demands of U.S. customers. As various large textile companies are based out of the U.S., this gives us a stronghold to market our products in directly giving us competitive edge over other textile players not having U.S. presence.

The current customers of our Company, domestic as well as international, share on an average relationship of 5 years and above with our Company. This stands testimony to the quality of products as well as services rendered by us.

Our marketing team is headed by our MD & CEO Mr. Krishnakumar Jhunjhunwala who has experience of over 25 years in textile industry and marketing, with prime focus to develop new market for our products.

XII. COMPETITION

Being in a business of specialty yarn manufacturing, we believe there are no direct competitors in our range of products. However, there are some manufacturers whose range of products includes few of the products manufactured by us. Being a 100% EOU, we have a competitive edge over most of our competitors in terms of pricing due to abatement in custom duty. Further, we enjoy competitive edge with the easily accessible in-house dyeing unit at Vapi which enables us to cater customer's orders efficiently with large range of shades thereby ensuring superior quality products.

Though there are no direct competitors in our specialized range of products. We face competition from domestic and international textile companies with regard to texturised/ twisted yarn, covered yarns, sewing threads.

The industry in which we operate is highly competitive and fragmented. Competition emerges from small as well as big players in the textile industry. The organized players in the industry compete with each other by

providing high quality-time bound products and value added services**.** As our competitors are more into specific production, they have the benefit of greater specialization and their operations and finances are focused towards development of the same. We expect that our costs related to marketing and human resources will increase as we grow from strength to strength to ensure the quality and efficacy of our products.

XIII. QUALITY STANDARDS & TECHNOLOGY

To manufacture and deliver superior quality, value added nylon and polyester yarns and threads which meet the requirements of our customer in terms of product performance, consistency, delivery and service, we have purchased new machinery for our plant in the U.S. (Sarlaflex). We have state of the art equipment and technology. All our machinery used in our plants in India undergo a regular inspection and quality testing. We are an ISO 9001:2008 certified company and have also been granted the Oeko-tex Standard 100 to use the Oeko-tex marks i.e. our products have been tested for harmful substances and the results of the inspection of the Oeko-Tex Standard 100 have held our products to meet the human-ecological requirements presently established for baby articles. Further, all of our manufacturing facilities and processes are in compliance with Annex XVII of REACH (regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the European Union chemicals industry) as per European Union requirements and standards as well as the American requirement regarding the total content of lead in articles made for children.

XIV. HEDGING OF FOREIGN EXCHANGE VOLATALITY

Our imports are 34% of total turnover i.e. including trading sales (60% of total raw material purchases). 61% of our revenue is in foreign currency and the balance in local currency, deemed exports and sales in domestic tariff area. Being an 100% Export Oriented Unit (EOU) our Company takes Pre-shipment Finance in Foreign Currency (PCFC) and for the balance our Company uses forward exchange contracts to hedge against our foreign currency exposures relating to underlying transactions and form commitments (we do not enter into any derivative instrument transactions for speculative purposes). Consequently, our Company is considerably hedged from foreign exchange volatility.

XV. HUMAN RESOURCE

We believe that we have an experienced management team that has successfully expanded our business and increased our revenues, mostly through internal growth. Our Company has an appraisal system to motivate its employees. We believe in the continuous development of all our employees for which purpose our Company is planning to frame a program wherein all our employees will be provided training into their respective areas of skill development. As on June 30, 2014, we employ 35 full time employees at our offices and 128 at our plants. We also employ 1,050 contract labourers who are engaged through our contractors. As on June 30, 2014, the break-up of our employees is as under:

Type of Employee	**Number of Employees**
Top Management	7
Senior Management	12
Mid-Management	17
Staff and workers	127
Total	**163**

XVI. INSURANCE

Our operations are subject to hazards inherent to our business, such as fire and other risks which may cause injury and loss of life, damage and destruction of property, equipment and environmental damage. To protect our business from such risks, we have taken insurance from Oriental Insurance Company Limited to cover different risks including Standard Fire and Special Perils Policy for our manufacturing units and electric generation stations. Further, we have taken Group Personal Accident Policy and Directors and Officers Liability Policy for insurance against the personal liability of directors and officers arising due to any wrongful acts in the capacity of director or officer of our Company. While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks. If any or all of our facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. For risks relating to our insurance policies please refer to chapter titled *"Risk Factors"* at page 46 of this Preliminary Placement Document.

Details of the insurance policies taken by us are given below:

Nature of policy	Nature of coverage	Insured amount (in Rs. million)
Standard Fire & Special Perils Policy	Insurance against material damage, financial loss caused to the properties covered under the policy by fire or by any of the special perils covered under the policy.	2,356.21
Fire- Loss of Profit Policy	Loss of Gross Profit and /or increase in cost of working due to reduction in turnover/output due to operation of peril covered in the Standard Fire & Special Perils Policy	600.00
Group Personal Accident Policy	Insurance to a Group of Persons in the event of insured sustaining injuries, solely and directly from an accident caused by violence, visible and external means, resulting into death or disablement, be it temporary or permanent.	32.00
Directors and Officers Liability Policy	Insurance against the personal liability of Directors and Officers arising due to any wrongful acts in the capacity of director or officer	28.00

As at the date of this Preliminary Placement Document, there have been no material claims made under the Insurance Policies.

XVII. PROPERTIES

Freehold:

Sr. No.	Particulars of Property
1.	Land bearing Survey No. 215/2/1 admeasuring 4995 sq. mts. situated at village Silvasa in the Union territory of Dadra and Nagar Haveli.
2.	Land bearing Gat No. 411, situated at village Sheydal, TalukaJath, District Sangli.
3.	Land bearing Gat No. 370, situated at village Sheydal, Taluka Jath, District Sangli.
4.	Land bearing Gat No. 173 situated at village Visapur, Taluka Khatav, District Khatav.
5.	Land bearing Survey No. 60/3 situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
6.	Land bearing Survey No. 64/2 admeasuring 6100 sq.mts., 64/3 admeasuring 1500 sq.mts. and 64/4 admeasuring 4600 sq.mts. situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
7.	Land bearing (i) Survey No. 61/2 admeasuring 600 sq. mts. (ii) Survey No. 63/5 admeasuring 500 sq. mts. and (iii) Survey No. 63/7 admeasuring 900 sq. mts. situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
8.	Land bearing Survey No. 61/1 admeasuring 1800 sq. mts. situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
9.	Land bearing Survey No. 59/4/1 admeasuring 0-14 Hectare situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
10.	Land bearing Survey No. 62/5 admeasuring 2700 sq. mts. situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
11.	Land bearing Survey No. 60/1/3 admeasuring 1280 sq. mts. situated at village Amli in the Union Territory of Dadra and Nagar Haveli.
12.	GIDC shed No. A-1/48 built on plot No. 514 in Vapi Notified Industrial Area/Estate of the Corporation at village: Chanod, Taluka: Pardi, District: Valsad.

Leasehold/Licensed:

Sr. No.	Particulars of Property	Tenure/Term
1.	Premises at 304, Arcadia, Nariman Point, Mumbai – 400 021	36 months expiring on September 30, 2017
2.	Part of Government Land bearing Revenue Survey No. 96/p admeasuring 5000 Sq. Mtrs. situated at village: Baradiya, Taluka: Dwarka, District: Jamnagar for development of wind farm project to install 1 No. of 1.25 MW capacity WTG.	Co-terminus to the lease deed which expires on May 11, 2029 but not exceeding 20 years from the date of the sub-lease agreement.
3.	GIDC shed No. A-1/48 built on plot No. 514 in Vapi Notified Industrial Area/Estate of the Corporation at village: Chanod, Taluka: Pardi, District: Valsad.	99 years.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

BOARD OF DIRECTORS

The general supervision, direction and management of our operations and business are vested in the Board, which exercises its powers pursuant to the Articles and the requirements of Indian law. Our Directors acting in a fiduciary capacity are empowered to and responsible for our overall management and supervision. Our MD & CEO Krishnakumar Madhusudan Jhunjhunwala is responsible for our day-to-day management under the supervision, direction and control of our Board of Directors. The Board of Directors has constituted six committees viz. (i) the audit committee, (ii) the nomination and remuneration committee, (iii) stakeholders relationship committee, (iv) risk management committee (v) corporate social responsibility committee and (vi) share transfer committee.

Currently, our Company has five Directors out of which three are independent Directors. The composition of our Board of Directors is governed by the provisions of the Companies Act and the Listing Agreement and the norms of the code of corporate governance as applicable to listed companies in India.Our Articles of Association provide that the number of directors shall not be less than three or more than twelve. Further, one-third of the strength of the Board of Directors shall be non-retiring directors. A retiring Director shall be eligible for re-appointment.

The quorum for meetings of the Board is one third of the total number of Directors or two Directors, whichever is higher. The participation of the Directors by video conferencing or by other visual means will be counted towards quorum. Where the number of interested Directors exceeds or is equal to two-thirds of the total number of Directors present at such meeting, the number of remaining Directors who are not interested and are present at the meeting, not being less than two, shall be the quorum during such time. In case there is no quorum for a Board meeting, the remaining Directors may act only for the purpose of increasing the number of Directors to meet the quorum requirements or to summon a general meeting.

The Directors may be appointed at a general meeting of the Shareholders. The Board may appoint any person as an additional Director but such a Director must retire at the next AGM or on the last date when the AGM should have been held, whichever is earlier, unless re-elected by the Shareholders after complying with the provisions of the Companies Act, 2013. A person who fails to get appointed as a Director in a general meeting cannot be appointed as an additional Director. A casual vacancy caused in the Board due to death or resignation of a Director, can be filled by the Board, but such a person can remain in office only for the unexpired term of the person in whose place he was appointed and on the expiry of the term he will retire unless re-elected by the Shareholders. The Board may appoint an alternate Director in accordance with the provisions of the Companies Act, 2013 to act for a Director during his absence from India, which period of absences shall not be less than three months (subject to such person being acceptable to the Chairman). Pursuant to the provisions of the Companies Act, 2013 an Independent Directors may be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of Independent Directors shall *inter alia* be on the basis of the performance evaluation report and approved by the shareholders by way of special resolution.

Details of Board of Directors

The following table sets forth details regarding our Board of Directors as of the date of this Preliminary Placement Document:

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Nature of Directorship and designation	Age
1.	Mr. Madhusudan Shivchandrai Jhunjhunwala Address: 28, 6th Floor, Sheela Apartment, B.	Chairman and Whole Time	73 years

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Nature of Directorship and designation	Age
	Desai Road, Mahalaxmi, Mumbai-400026. Occupation: Business DIN: 00097254 Term: Five years (i.e. from August 1, 2010) Nationality: Indian	Director	
2.	Mr. Krishnakumar Madhusudan Jhunjhunwala Address: 28, 6th Floor, Sheela Apartment, B. Desai Road, Mahalaxmi, Mumbai-400026. Occupation: Business DIN: 00097175 Term: Five years (i.e. from October1, 2014) Nationality: Indian	MD & CEO	52 years
3.	Mr. Arun Shivprasad Vaid Address: Mangalam 110, Shanti Niketan Colony, Behind Bombay Hospital, Niranjanpur, Indore. Occupation: Business DIN: 00351464 Term: Till the conclusion of 26th AGM Nationality: Indian	Non- Executive Director	70 years
4.	Mr. Jigar Arvind Shah Address: 701/A, Silver Leaf, Near National Avenue, Akurli Road, Kandivali (E), Mumbai – 400 101 Occupation: Service DIN: 00191165 Term : Till the conclusion of 26th AGM Nationality : Indian	Non - Executive Director	40 years
5.	Mr. Parantap P. Dave Address: 9, Bharat Mahal, 37, Lajpatrai Road, Vile Parle (W), Mumbai – 400 056 Occupation: Profession DIN : 00019472 Term : Till the conclusion of 26th AGM Nationality : Indian	Non – Executive Director	53 years

Brief bio data of the Board of Directors

- **Mr. Madhusudan Jhunjhunwala** is the Chairman and Whole-time Director of our Company. He is a commerce graduate and has more than fifty years of experience in cotton trading. He was the past president of Bombay Cotton Merchants and Muccadams Association, Western Indian Chambers of Commerce and past director of East India Cotton Association. He is also associated with various charitable institutions/hospitals.

Mr. Madhusudan Jhunjhunwala is also a director in Sarla Estate Developers Private Limited, Satidham Industries Private Limited, Snow White Properties Private Limited and Cotton Association of India (in aggregate five companies including our Company).

- **Mr. Krishnakumar Jhunjhunwala** is the MD & CEO of our Company. He holds a Bachelor Degree in Commerce from University of Mumbai and has more than twenty five years of experience in the textile industry.

  Mr. Krishnakumar Jhunjhunwala is also a director in Sarla Estates Developers Private Limited, Satidham Industries Private Limited, Sarla Twisters Private Limited and Harmony Estates Private Limited (in aggregate five companies including our Company).He is engaged in the production, planning, marketing and other day to day operations relating to our business. He actively participates in the key financial decisions of our Company. He has a sharp commercial acumen and possesses in-depth knowledge of various segments of business in the textile industry. His vision for focusing on sale of value added yarn to global players has been instrumental in transforming our Company to its present position of strength.

- **Mr. Arun Shivprasad Vaid** is an independent Director of our Company. He holds a Bachelor Degree in Commerce. He is presently involved with M/s Industrial Stores which engages in machinery trading.

  Mr. Arun Shivprasad Vaid is also a director in Spanish Waterproofing (India) Pvt. Ltd. (two companies in aggregate including our Company).

- **Mr. Jigar Arvind Shah** is an independent Director of our Company. He holds a Bachelor Degree in Commerce from Saurashtra University and Diploma In Commercial Practice (DCP) from A V Parekh Technical Institute, Rajkot. He has about 15 years of experience in Financial Analysis. . He also has experience in project evaluation and capital structuring. His views on stock market are regularly covered by television channels and print media.

  He is also a director in Kisan Ratilal Choksey Shares and Securities Pvt. Ltd., Evolute Solution Pvt. Ltd., KE India Services Pvt. Ltd. and KIM ENG Securities India Pvt. Ltd. (five companies in aggregate including our Company), and designated partner at Old Fashioned Capital Advisors LLP.

- **Mr. Parantap P. Dave** is an independent Director of our Company. He holds a Bachelor's Degree in Commerce from University of Bombay. He is also a qualified Chartered Accountant and has over two decades of experience as corporate advisor. His expertise lies in the field of capital market, wealth management mergers and acquisitions and investments.

  Mr. Parantap P. Dave is also a director in Dhanipa Management Service Pvt. Ltd, Mas Services Ltd, Spectrum International Pvt. Ltd., Capvital Advisors Pvt Ltd, Sajeev Agri Pvt Ltd, Tree House Education and Accessories Ltd, Sankalp Siddhi Corporate Advisory Pvt Ltd and is the proprietor of Argent Advisors.

Terms of appointment of Directors

Executive Directors

The details of remuneration paid to the executive Directors, approved by the shareholders of our Company are as under:

- **Mr. Madhusudan Shivchandrai Jhunjhunwala**

(1) Terms of appointment:

Pursuant to the shareholder's resolution passed on September 25, 2010, Mr. Madhusudan Jhunjhunwala was appointed as whole time Director of our Company for a period of five years with effect from August 1, 2010 and was reappointed as a director liable to retirement by rotation pursuant to shareholder's resolution passed on September 29, 2011.

(2) Remuneration:

Our Company at its annual general meeting dated September 13, 2013 has obtained necessary approval of the shareholders for increase in the remuneration payable to Mr. Madhusudan Jhunjhunwala as whole time Director of our Company. The terms of the remuneration of Mr. Madhusudan Jhunjhunwala are as set out below:

Remuneration: Mr. Madhusudan Jhunjhunwala is being paid Rs. 0.6 million only per month as remuneration (inclusive of salary, perquisites and allowances), with an annual increment of Rs. 1,00,000 with effect from August 1, 2013 for the remaining period of his appointment , i.e. up to July 31, 2015 in accordance with the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act and Schedule XIII thereto.

Minimum Remuneration: Notwithstanding anything herein above stated, where in any Financial Year during the tenure of Mr. Madhusudan Jhunjhunwala, our Company incurs a loss or its profits are inadequate, our Company shall pay to Mr. Madhusudan Jhunjhunwala, the above remuneration by way of salary, perquisites and other allowances or any combination thereof as minimum remuneration, but however subject to the provisions of Schedule XIII of the Companies Act and/or the approval of the Central Government, if required, as the case may be.

- **Mr. Krishnakumar Madhusudan Jhunjhunwala**

(1) Terms of appointment :

Pursuant to the Board resolution passed on September 30, 2014, Mr. Krishnakumar Jhunjhunwala was re-appointed as Managing Director of our Company for a period of five years with effect from October 1, 2014.

(2) Remuneration of Mr. Krishnakumar Jhunjhunwala

Our Company at its Board meeting dated September 30, 2014 has approved an increase in the remuneration payable to Mr. Krishnakumar Jhunjhunwala as Managing Director of our Company (the same being subject to the approval by the shareholders in the next general meeting). The terms of the remuneration of Mr. Krishnakumar Jhunjhunwala are as set out below:

Remuneration: Mr. Krishnakumar Jhunjhunwala shall be paid per month as salary an amount of Rs. 0.8 million with an annual increment of Rs. 0.125 million with effect from October 1, 2014 for the remaining period of his appointment, i.e. up to September 30, 2019 in accordance with the provisions of Sections 196 and 197 of the Companies Act, 2013 and Schedule V thereto.

Minimum Remuneration: Where in any Financial Year during the tenure of Krishnakumar hunjhunwala, our Company incurs a loss or its profits are inadequate, our Company shall pay to Krishnakumar Jhunjhunwala the above remuneration by way of salary, perquisites and other allowances or any combination thereof as minimum remuneration, but however subject to the ceilings prescribed under the Companies Act, 2013. The other significant perks/ benefits/ reimbursements that he is also entitled to include the following:

(i) reimbursement of medical expenses incurred for him and his family subject to a ceiling of one month salary in a year;

(ii) Club fees subject to a maximum of 2 Clubs (excluding any admission and life membership fees).

- **Remuneration paid to the Executive Directors for the last three Financial Years and current Financial Year:**

(In Rs. million)

Sr. No.	Name	Category	Remuneration				Sitting fees
			2014-15*	2013-14	2012-13	2011-12	
1.	Mr. MadhusudanShivchandrai Jhunjhunwala	Chairman and Whole time Director	3.8	6.2	4.0	3.4	Nil
2.	Mr. Krishnakumar Madhusudan Jhunjhunwala	MD & CEO	3.6	6.6	5.4	4.2	Nil

**Upto September 30, 2014*

Non-Executive Directors

The Board of Directors at its meeting held on July 27, 2013 fixed the sitting fees payable to non whole time directors at Rs. 0.01 million per meeting.

We do not pay any remuneration to our non-executive Directors. The details of sitting fees paid to the non-executive Directors are as under:

- **Sitting Fees paid to the Non- Executive Directors for the last three Financial Years current Financial Year:**

(In Rs. million)

Sr. No.	Name	Category	Remune-ration	Sitting Fees			
				2014-15*	2013-14	2012-13	2011-12
1.	Mr. Arun Vaid	Non-Executive Director	-	0.03	0.03	0.025	0.025
2.	Mr. Jigar Shah	Non-	-	0.03	0.03	0.025	0.025

Sr. No.	Name	Category	Remune-ration	Sitting Fees			
				2014-15*	2013-14	2012-13	2011-12
		Executive Director					
3.	Mr. Lalita Aggarwal (appointed with effect from November 01, 2013 upto September 27, 2014)	Non-Executive Director	-	0.01	0.01	-	-
4.	Mr. Anilkumar Jain (resigned with effect from June 21, 2013)	Non-Executive Director	-	-	0.005	0.025	0.02
5.	Mr. Parantap Dave (appointed from September 27, 2014)	Non-Executive Director	-	0.01	-	-	-

**Upto September 30, 2014*

Shareholding of our Directors

As per our Articles of Association, our Directors are not required to hold any qualification Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company or its subsidiaries as on September 30, 2014

Sr. No.	Name of Directors	No. of Shares held
1	Mr. Madhusudan Jhunjhunwala	1,94,500
2	Mr. Krishnakumar Jhunjhunwala	1,30,000

Relationship with other Directors

None of the Directors are related to each other save and except Mr. Madhusudan Jhunjhunwala who is the father of Mr. Krishnakumar Jhunjhunwala.

Borrowing Powers of the Board

Pursuant to the Articles of Association, the Board may from time to time, subject to the provisions of the Companies Act, 2013, raise or borrow, either from the Directors or from elsewhere and secure repayment of any sum of money for the purpose of our Company; provided that the Board shall not, without the sanction of our Company in General Meeting borrow any sum of money which together with monies already borrowed by our Company (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) will exceed the aggregate for the time being of the paid up capital of our Company and its free reserves, i.e., reserves not set aside for any specific purpose.

Interest of Directors

Our Directors Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala are also Promoters and shareholders of our Company. None of our Directors have been appointed pursuant to any understanding or

arrangement with major shareholders, customers, suppliers or others. All of our Directors may be deemed to be interested to the extent of remuneration or fees (as the case may be) payable to them for attending meetings of the Board of Directors and Committee meetings, and reimbursement of expenses payable to them under our Articles of Association.

Further, Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala shall be deemed to be interested to the extent of remuneration payable to them for their services as Chairman and Whole Time Director of our Company, and MD & CEO of our Company, respectively. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives or bodies corporate in which they have interest in our Company and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners, trustees.

Except as otherwise stated in this Preliminary Placement Document, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements or arrangements which are proposed to be made with them. The Directors have not taken any loans from us.

Our Directors are not interested in the appointment of or acting as registrar and BRLM or any such intermediaries registered with SEBI.

The details of relationship among Promoters are as under:

Sr. No.	Name of person	Relationship
1	Madhusudan Jhunjhunwala (Chairman and Whole Time Director)	Father of Krishnakumar Jhunjhunwala
2	Krishnakumar Jhunjhunwala (Managing Director)	Son of Madhusudan Jhunjhunwala
3	Vrinda Jhunjhunwala	Wife of Krishnakumar Jhunjhunwala
4	Sarladevi Jhunjhunwala	Mother of KrishnakumarJhunjhunwala
5	Hindustan Cotton Company	Sarladevi as partner.
6	Satidham Industries Pvt Ltd.	Krishnakumar Jhunjhunwala &Madhusudan Jhunjhunwala as directors.
7	Sarla Estate Developers Pvt Ltd.	Krishnakumar Jhunjhunwala &Madhusudan Jhunjhunwala as directors.
8	Harmony Estates Pvt Ltd.	Krishnakumar Jhunjhunwala as directors.
9	Madhusudan Jhunjhunwala & Sons HUF	Madhusudan Jhunjhunwala as Karta
10	Krishnakumar Jhunjhunwala HUF	Krishnakumar Jhunjhunwala as Karta

KEY MANAGERIAL PERSONNEL

Set out below is a list of our Key Managerial Personnel:

Sr. No.	Name	Department	Designation
1.	Mr. Mahendra Sheth	Finance & Accounts	CFO & Company Secretary
2.	Ms. Neha Jhunjhunwala	Operations	Vice President (Operations) & HRD
3.	Mr. Sunil Jhunjhunwala	Operations	Vice President (Purchases)
4.	Mr. Nandakumar CN	Operations	Plant Head (Silvassa)
5.	Mr.Tarunkumar T Pankaj	Operations	Plant Head (Vapi)
6.	Mr. Abhishek Vaishnav	Finance & Accounts	Accounts Manager
7.	Mr. Ashok Ranagol	Operations	Manager Production Planning & Material Procurement
8.	Mr. Gopal Sharma	Legal	Head Legal
9.	Mr. Satish Sharma	Admin	Excise Manager
10.	Mr. Wilson Baby	Exports	Manager Exports & Logistics

Brief biography of the KMP

- Mr. Mahendra Sheth is the Chief Financial Officer and Company Secretary. He is also qualified to be a Chartered Accountant. He holds a bachelor degree in commerce and bachelor of law from University of Mumbai. He has around 35 years of experience in the field of accounts, finance and secretarial.

- Ms. Neha Jhunjhunwala is the Vice President (Operations) of our Company and holds a bachelor degree in management studies from University of Mumbai and a master's degree in marketing and strategy from University of Warwick, London. She has around 3 years of experience in managing operations and human resource management.

- Mr. Sunil Jhunjhunwala is the Vice President (Purchases) of our Company and holds a bachelor degree in commerce from Sant Gadge Baba Amravati University. He has around 20 years of experience in textile industry.

- Mr. Nandakumar CN is a Plant Head for our manufacturing facilities at Silvassa and holds a Bachelor degree in Technology (Textiles) from University of Bangalore. He has about 26 years of experience in the textile industry.

- Mr. Tarunkumar Tarkeshwar Pankaj is a Plant Manager for our dyeing unit at Vapi and has done his graduation in textile engineering from Swami Vivekananda Institute, State of Gujarat. He also holds a diploma in Production Management from Indian School of Labour Education, Madras and has also done a post-graduation and diploma in Business and Industrial Management from Management Studies Promotion Institute, New Delhi. He has around 18 years of experience in the textile industry and has been associated with various organisations in the past with key role in production process and plant management

- Mr. Abhishek Vaishnav is Accounts Manager in our Company. He is a qualified Chartered Accountant and B. com from University of Mumbai. He oversees the accounts, finance & taxation

- Mr. Ashok Ranagol is the Manager, Production Planning and Material Procurement in our Company and holds a Diploma in Textile Technology from State of Karnataka. He has around 17 years of experience in the industry in the area of production planning and material procurement

- Mr. Gopal Sharma is our Excise Manager who oversees the excise and tax matters of our Company. He has over 20 years of experience in legal and excise matters

- Mr. Satish Sharma is our Assistant Excise Manger and holds a bachelor degree in commerce from University of Rajasthan. He has around 25 years of experience dealing with Excise matters

- Mr. Wilson Baby is the Manager, Exports and Logistics. He has around 20 years of experience in handling of exports and logistics.

Interest of Key Employees

Ms. Neha Jhunjhunwala is related to our Promoters.

None of the Key Managerial Personnel hold any Equity Shares except Mr. Mahendra Sheth who holds 80 Equity Shares of our Company.

Save and except as stated above, none of the key employees of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and banking relations undertaken by them in the ordinary course of business and to the extent of the Equity Shares held by them or their dependants in our Company, if any.

Corporate Governance

Corporate governance is a reflection of our culture, policies, relationships with stakeholders and commitment to values. We comply with all applicable corporate governance requirements, including the Listing Agreements with the Stock Exchanges and the regulations issued by SEBI from time to time, including constitution of the Board of Directors and committees thereof. The corporate governance framework of our Company is based on an effective independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of committees of the Board of Directors. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management of our Company provides the Board of Directors with detailed reports on the performance of our Company periodically.

Currently the Board of Directors consists of five Directors. In compliance with the requirements of Clause 49 of the Listing Agreement, the Board of Directors consists of three independent Directors. During the Financial Year 2013-14, four Board meeting were held, i.e. on May 29, 2013, July 27, 2013, November 1, 2013 and January 17, 2014.

Committees constituted by the Board of Directors

In line with the requirements of the provisions of the Companies Act, clause 49 of the Listing Agreement, our Board has constituted various committees as detailed below. Their constitution is for a more specific and focused approach towards some of the important functional areas of our Company's operations, for providing proper direction, effective monitoring and controlling the affairs of our Company. Our Company has following six committees, which have been constituted and function in accordance with the relevant provisions of the Companies Act, 2013 and the Listing Agreement:

1. Audit Committee
2. Nomination and Remuneration Committee (erstwhile Remuneration Committee)
3. Stakeholders Relationship Committee (erstwhile Investor Grievance Committee)

4. Risk Management Committee
5. Corporate Social Responsibility Committee
6. Share Transfer Committee

(i) Audit Committee

Upto September 30, 2014 our Audit Committee comprised three members, viz. Mr. Arun Vaid (Chairman of the Committee), Mr. Madhusudan Jhunjhunwala and Mr. Jigar Shah, where two directors were non-executive directors and one was an executive director.

The terms of reference of the committee are wide. Besides having access to all the required information from within our Company, the committee acts as a link between the statutory auditors and the Board of Directors. The brief description of the terms of reference includes reviewing the audit and risk management function, recommending appointment/ re-appointment and fixation of the auditors and reviewing the financial statements before submission to the Board of Directors.

The members of the Audit Committee meet at least 4 (four) times in a year and the frequency of the meetings and their duration varies depending upon the range and complexity of the issues that the committee members considers.

During the Financial Year 2013 -14, the Audit Committee met 4 (four) times viz. May 29, 2013, July 27, 2013, November 1, 2013, and January 17, 2014. Details of meetings attended by each member during the year ended March 31, 2014 are as follows:

Name of the Director	Member/ Chairman	No. of meeting attended
Mr. Arun Vaid	Chairman	4
Mr. Madhusudan Jhunjhunwala	Member	4
Mr. Jigar Shah	Member	4

On September 30, 2014, the audit committee was reconstituted as per the provisions of Section 177 of the Companies Act, 2013. The details of the reconstituted Committee are as under:

Name of the Director	Member/ Chairman
Mr. Jigar Shah	Chairman
Mr. Madhusudan Jhunjhunwala	Member
Mr. Parantap Dave	Member

(ii) ***Nomination and Remuneration Committee***

Upto September 30, 2014, our Nomination and Remuneration Committee (upto then known as the Remuneration Committee) comprised three independent Directors viz. Mr. ArunVaid, Mr. JigarShah and Mr. Anil Kumar Jain (resigned with effect from June 21, 2013), Mr. Lalita P. Aggarwal (Appointed with effect from November 1, 2013).

The committee recommends the remuneration payable to the executive Directors of our Company.

During the Financial Year ended March 31, 2014, one meeting of the committee was held on May 29, 2013.
On September 30, 2014, the Remuneration Committee was reconstituted and renamed as "Nomination and Remuneration Committee" as per provision of Section 178(1) of the Companies Act, 2013. The details of reconstituted committee are as under:

Name of the Director	Member/ Chairman
Mr. Jigar Shah	Chairman
Mr. Parantap Dave	Member
Mr. Arun Vaid	Member

(iii) Stakeholders' Relationship Committee

Upto September 30, 2014, our Stakeholders' Relationship Committee (then known as Investors' Grievance Committee) comprised 3 members viz. Mr. Arun Vaid, Mr. Madhusudan S. Jhunjhunwala and Mr. Anil Kumar Jain (resigned with effect from June 21, 2013), Mr. Lalita P. Aggarwal (appointed with effect from November 1, 2013).

The committee members look into and redress shareholders/ investors grievances relating to transfer of shares, non- receipt of declared dividends, non- receipt of annual reports, all such complaints directly concerning the shareholders/ investors as stakeholders and any such matters that may be considered necessary in relation to shareholders and investors.

The committee meets as and when required to deal with the matters relating to monitoring and redressal of complaints from shareholders relating to non-receipt of annual report, dividend, etc.

During the Financial Year 2013-14, the committee met 1 (one) time on January 17, 2014. Details of meetings attended by each member during the Financial Year ended March 31, 2014 are as follows:

Name of the Director	Member/Chairman	No. of meetings attended
Mr. Arun Vaid	Chairman	1
Mr. Madhusudan S. Jhunjhunwala	Member	1
Mr. Lalita P. Aggarwal	Member	1

Our Company received 2 (two) complaints from the shareholders during the Financial Year ended March 31, 2014. All the complaints have been resolved to the satisfaction of the investors. We have also received letters for revalidation of dividend warrants, non-receipt of dividend warrants and the same have been attended to within the stipulated time.

On September 30, 2014, the Investors Grievance Committee was reconstituted and renamed as 'Stakeholders Relationship Committee' as per provisions of Section 178(6) of the Companies Act, 2013. The details of reconstituted committee are as under:

Name of the Director	Member/Chairman
Mr. Madhusudan S. Jhunjhunwala	Chairman
Mr. Arun Vaid	Member
Mr. Parantap Dave	Member

(iv) Share Transfer Committee

Our share transfer committee comprises three members, viz. Mr. Madhusudan S. Jhunjhunwala, Mr. Arun Vaid and Mr. Krishnakumar Jhunjhunwala.

The committee is empowered to consider and approve the transfer, transmission, transposition of shares in physical mode, issue of duplicate share certificates/ split renewal of share certificate etc. and to deal with all related matters.

During the Financial Year 2013-14, the Share Transfer Committee met 1 (one) time, i.e. on June 3, 2013. Details of meetings attended by each member during the year ended 31st March, 2014 are as follows:

Name of the member	Designation	No. of meetings attended
Mr. Madhusudan S. Jhunjhunwala	Chairman	1
Mr. Arun Vaid	Member	1
Mr. Krishnakumar Jhunjhunwala	Member	1

(v) Risk Management Committee

On September 30, 2014, our Board constituted the Risk Management Committee as per the requirement of the Listing Agreement. The details of the constituted committee are as under:

Name of the Director	Member/Chairman
Mr. Krishnakumar Jhunjhunwala	Chairman
Mr. Arun Vaid	Member
Mr. Jigar Shah	Member

(vi) Corporate Social Responsibility Committee

On September 30, 2014, our Board constituted the Corporate Social Responsibility Committee as per the provision of Section 135 of the Companies Act, 2013. The details of the constituted committee are as under:

Name of the Director	Member/Chairman
Mr. Madhusudan Jhunjhunwala	Chairman

Name of the Director	Member/Chairman
Mr. Jigar Shah	Member
Mr. Parantap Dave	Member

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 12(1) of the Insider Trading Regulations applies to our Company and its employees and requires our Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading in accordance with the Insider Trading Regulations.

Whistleblower Policy (Vigil Mechanism)

Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement (as amended and applicable from October 01, 2014) requires every listed company to establish a vigil mechanism for the directors and employees to report genuine concerns. In adherence to the same, our Company has implemented a "Whistle Blower Policy" which also provides for adequate safeguards against victimization of persons who use the vigil mechanism and also makes provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

Other Confirmations

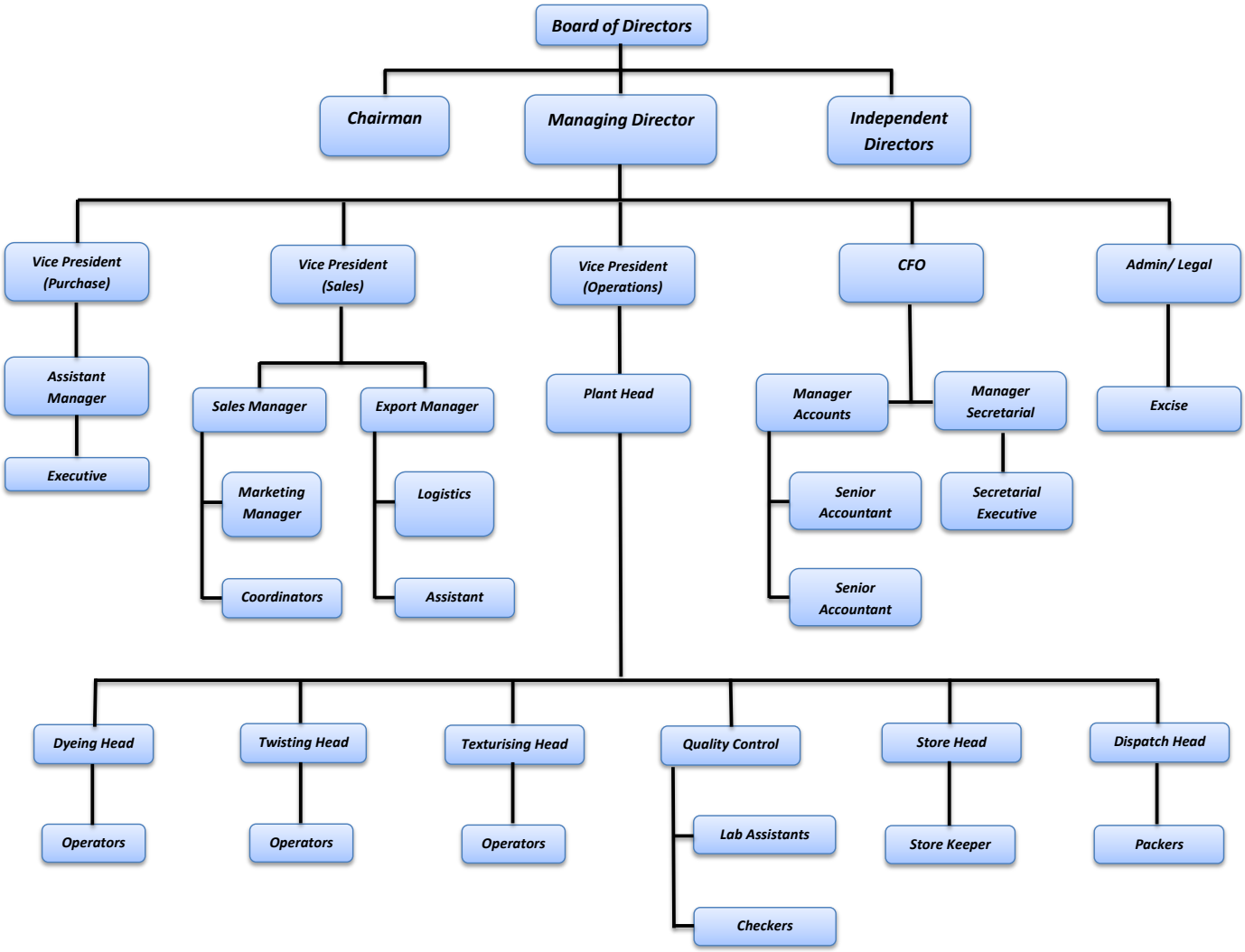
None of the Directors, Promoters or key managerial personnel of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

Related Party Transactions

For details in relation to the related party transactions entered into by our Company during the last three Financial Years, as per the requirements under Accounting Standard 18 issued by the Institute of Chartered Accountants of India, see the section "*Financial Statements*" on page 199.

ORGANIZATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

Management Organization Chart



Principal Shareholders

The details of our Company's shareholding pattern as on September 30, 2014 are as follows:

Sl. No	Category	No of Shares Held	Percentage of Shareholding (%)
1.	Promoter and Promoter Group	46,17,741	66.439
2.	Mutual Funds/ UTI	2,000	0.029
3.	Financial Institutions/ Banks	50	0.001
4.	Venture Capital Funds	4,000	0.058
5.	Insurance Companies	0	0.000
6.	FII/FVCI	0	0.000
7.	Body Corporate	4,30,559	6.195

Sl. No	Category	No of Shares Held	Percentage of Shareholding (%)
8.	Individuals	17,50,188	25.181
9.	Clearing Members	1,136	0.016
10.	NRI's	1,44,626	2.081
	Total	69,50,300	100.000

No shareholder of our Company holds any shares as an owner on behalf of a third party (beneficial owner).

Shareholding pattern

The following table represents information regarding the ownership of our Equity Shares as on September 30, 2014:

(1)(a) Statement showing Shareholding Pattern								
Category Code	Category of shareholder	Number of shareholder	Total Number of Shares	Number of shares held in Demat Form	Total shareholding as a percentage of total Number of shares		Shares Pledged or otherwise encumbered	
I	II	III	VI	V	VI	VII	VIII	IX = (VIII)(IV)* 100
(A)	**Shareholding of Promoter and Promoter Group[2]**							
(1)	**Indian**							
(a)	Individuals/Hindu Undivided Family	7	3327095	3327095	47870	47870	0	0.000
(b)	Central Government/State Government	0	0	0	0	0	0	0.000
[c]	Bodies Corporate	2	1290646	1290646	18.570	18.570	0	0.000
[d]	Financial Institutions/Bank	0	0	0	0	0	0	0.000
[e]	Any other (Specify)	0	0	0	0	0	0	0.000
e-1								
e-2								
	Sub-Total (A) (1)	**9**	**4617741**	**4617741**	**66.439**	**66.439**	**0**	**0.000**
[2]	**Foreign**							
[a]	Individuals/(Non-Resident Individuals / Foreign Individuals)	0	0	0	0	0	0	0.000
[b]	Bodies Corporate	0	0	0	0	0	0	0.000
[d]	Financial Institutions/Banks	0	0	0	0	0	0	0.000

(1)(a) Statement showing Shareholding Pattern								
Category Code	Category of shareholder	Number of shareholder	Total Number of Shares	Number of shares held in Demat Form	Total shareholding as a percentage of total Number of shares		Shares Pledged or otherwise encumbered	
I	II	III	VI	V	VI	VII	VIII	IX = (VIII)(IV)* 100
[e]	Any other (specify)	0	0	0	0	0	0	0.000
e-1								
e-2								
	Sub-Total (A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0.000**
	Total shareholding of promoter and Promoter Group **A = [A]910+[A][2]**	**9**	**4617741**	**4617741**	**66.439**	**66.439**	**0**	**0.000**
[B]	**Public shareholding**							
[1]	**Institutions**							
[a]	Mutual funds	1	2000	0	0.029	0.029		
[b]	Financial Institutions/Banks	1	50	50	0.001	0.001		
[c]	Central Government/State Government	0	0	0	0	0		
[d]	Venture Capital Funds	1	4000	4000	0.058	0.058		
[e]	Insurance Companies	0	0	0	0	0		
[f]	Foreign Institutional Investors	0	0	0	0.00	0.000		
[g]	Foreign Venture Capital Investors	0	0	0	0	0		
[h]	Qualified for Inv.							

(1)(a) Statement showing Shareholding Pattern								
Category Code	Category of shareholder	Number of shareholder	Total Number of Shares	Number of shares held in Demat Form	Total shareholding as a percentage of total Number of shares		Shares Pledged or otherwise encumbered	
I	II	III	VI	V	VI	VII	VIII	IX = (VIII)(IV)* 100
[i]	Any other (Specify)	0	0	0	0	0		
	Sub-Total (B)(1)	**3**	**6050**	**4050**	**0.087**	**0.087**		
[2]	**Non-Institutions**							
[a]	Bodies Corporate	91	430559	422559	6.195	6.195		
[b]	Individuals **I.** Individual shareholders holding nominal share capital upto Rs.1 Lakh	2440	771154	585283	11.095	11.095		
	II. Individual shareholders holding nominal share capital in excess of Rs.1 Lakh	25	979034	979034	14.086	14.086		
[c]	Qualified for Inv.	0	0	0	0	0		
[d]	Any other-Clr Mem	11	1136	1136	0.016	0.016		
d-1								
d-2								
	OCB	0	0	0	0.000	0.000		
	NRI	122	144626	97126	2.081	2.081		
	Sub-Total (B)(2)	2689	2326509	2085138	33.474	33.474		

(1)(a) Statement showing Shareholding Pattern								
Category Code	Category of shareholder	Number of shareholder	Total Number of Shares	Number of shares held in Demat Form	Total shareholding as a percentage of total Number of shares		Shares Pledged or otherwise encumbered	
I	II	III	VI	V	VI	VII	VIII	IX = (VIII)(IV)* 100
	Total Public shareholding (B = [B][1]+[B][2]	2692	2332559	2089188	33.561	33.561		
	TOTAL [A] + [B]	**2701**	**6950300**	**6706929**	**100.00**	**100.00**		
[C]	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0		
	GRAND TOTAL [A]+[B]+[C]	**2701**	**6950300**	**6706929**	**100.00**	**100.00**		

Promoter and Promoter Group

The shareholding pattern of persons belonging to the category "*Promoter and Promoter Group*" as on September 30, 2014 is set forth in the table below:

Sr. No.		**Name of the Shareholder**	**Total shares Held:**	**Share pledged or otherwise encumbered***	**Details of Warrant**	**Details of Convertible Securities**	**Total shares including underlying**

			Number	As a % (A+B+C)			Numb of Convertible Securities held	share as assuming full conversion of warrants & Convertible Securities) as a % of diluted share capital
1		Madhusudan Jhunjhunwala	194500	2.798	0.00	0.00	0.00	2.798
2		Krishnakumar Jhunjhunwala	130000	1.870	0.00	0.00	0.00	1.870
3		Vrinda K. Jhunjhunwala	64700	0.931	0.00	0.00	0.00	0.931
4		Saradevi M. Jhunjhunwala	388400	5.588	0.00	0.00	0.00	5.588
5		Satidham Industries Pvt. Ltd.	1272288	18.306	0.00	0.00	0.00	18.306
6		Hindustan Cotton Co. – Through its Partner	2116479	30.452	0.00	0.00	0.00	30.452
7		Krishnakumar& Sons (HUF) through its Karta	32500	0.468	0.00	0.00	0.00	0.468
8		Madhusudan Jhunjhunwala (HUF)	400516	5.763	0.00	0.00	0.00	5.763
9		Sarla Estate Developers Pvt Ltd.	18358	0.264	0.00	0.00	0.00	0.264
		TOTAL	**4617741**	**66.439**	0.00	0.00	0.00	**66.439**

(*) The term "Encumbrance" has the same meaning as assigned to it in regulation 28(3) of the Takeover Regulations

Note 1: Number of warrants held - nil
Note 2: Number of warrants held - nil

Shareholding of Public holding more than 1% of the total shares

The shareholding pattern of persons belonging to the category "*Public*" and holding more than 1% of the total number of Equity Shares as on as on September 30, 2014 is set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Shares	Shares as a percentage of total number of shares {i.e. Grand Total (A)+(B)+(C) indicated in Statement at para (1)(a) above)	Details of Warrant	Details of Convertible Securities	Total shares (including underlying shares assuming full conversion of wars & convertible securities) as a % of diluted share capital.
1	Anil Kumar Goel	340000	4.892	0.00	0.00	4.892
2	Dalal&Broacha Stock Broking P. Ltd.	330000	4.748	0.00	0.00	4.748
3	SeemaGoel	100000	1.439	0.00	0.00	1.439
4	VipulPriyakantDalal	85050	1.225	0.00	0.00	1.225
Total		**855050**	12.303	0.00	0.00	12.303

Shareholding pattern of persons (including PAC) belonging to the category "Public" and holding more than 5% of the total number of Equity Shares:

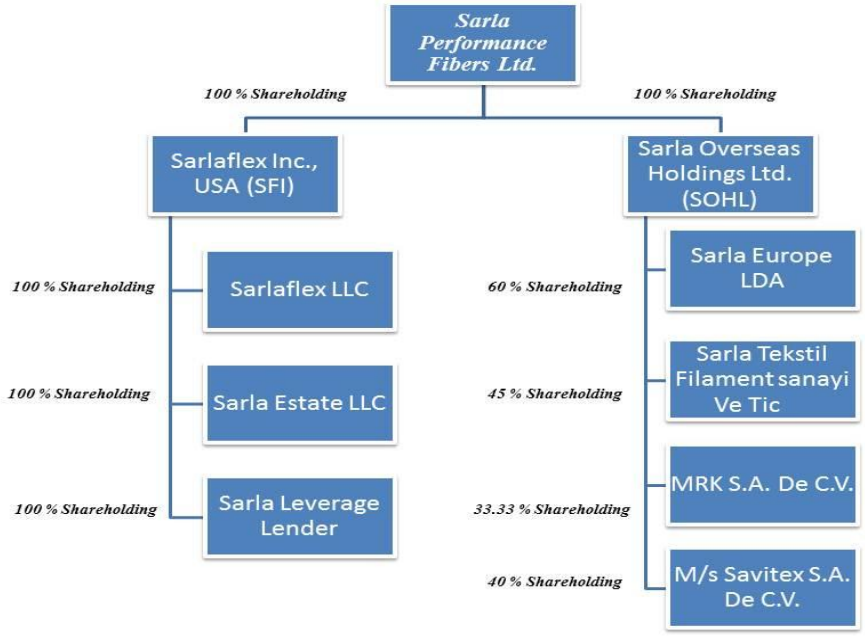
There are no persons (including PAC) belonging to the category "*Public*" and holding more than 5% of the total number of Equity Shares as on September 30,2014

Details of largest Shareholders of our Company

The list of the large shareholders of our Company as on September 30, 2014 is as under:

Sl. No.	Name of Shareholder	Number of Shares	Percentage to Total Capital
1.	Hindustan Cotton Company	21,16,479	30.452
2.	Satidham Industries Pvt Ltd	12,72,288	18.306
3.	Madhusudan Jhunjhunwala & Sons (HUF)	4,00,516	5.763
4.	Sarladevi Jhunjhunwala	3,88,400	5.588
5.	Anil Kumar Goel	3,40,000	4.892
6.	Dalal&Broacha Stock Broking Pvt. Ltd.	330000	4.748
7.	Madhusudan Jhunjhunwala	1,94,500	2.798
8.	Krishnakumar Jhunjhunwala	1,30,000	1.870
9.	SeemaGoel	1,00,000	1.439
10.	Vipul Dalal	85,050	1.225

OVERVIEW OF THE SUBSIDIARIES



I. SUBSIDIARIES

Our Company has the following Subsidiaries:

(a) **Sarlaflex Inc** – Wholly owned subsidiary;
   a. Sarlaflex LLC – Single holder entity, wholly owned by Sarlaflex;
   b. Sarla Estate LLC – Single holder entity, wholly owned by Sarlaflex; and
   c. Sarla Leverage Lender LLC – Single holder entity, wholly owned by Sarlaflex.

(b) **SOHL** – Wholly owned subsidiary;
   a. Sarla Europe LDA – Step down subsidiary of our Company, wherein SOHL holds 60% stake.

1. Sarlaflex Inc.

SarlaFlex is a wholly owned subsidiary of our Company registered in the State of Delaware in the U.S. in April 02, 2012. Its registered office is situated at 1521, Concord Pike Street in the city of Wilmington County of New Castle and its operations are conducted at Walterboro, South Carolina. Sarlaflex is engaged in the business of manufacture of POY catering to the polyester requirements of the U.S., Central and North American markets through its subsidiary, Sarlaflex LLC. Sarlaflex wholly owns the following single holder entities, brief description whereof is as under:

(a) **Sarlaflex LLC** – It is a single member entity carrying out operations of manufacturing POY from polyester chips, texturising and twisting;
(b) **Sarla Estate LLC** – It is a single member entity which is the realty arm of Sarlaflex Inc.; and
(c) **Sarla Leverage Lender LLC** – It is a single member entity which is engaged in the business of lending and investments.

- ***Board of Directors***

  The Board of Directors of Sarlaflex as on September 30, 2014 is as follows:

  (i) Mr. Krishnakumar Jhunjhunwala

  (ii) Mr. Jigar Shah

- ***Financial Information***

  Our Company had invested USD 0.1 million equivalent to Rs. 5.49 million in the Financial Year ended on March, 2013 for 100% shares being 1,00,200 shares of Sarlaflex registered in the U.S. During the Financial Year ended on 2013-14, the capital of Sarlaflex was increased to USD 0.99 million with a further investment by our Company of USD 0.8 million equivalent to Rs. 54.16 million for the purpose of the same. The brief financial information on a consolidated basis as of March 31, 2014 of Sarlaflex along with its subsidiaries viz. Sarlaflex LLC, Sarla Estate LLC and Sarla Leverage Lender LLC is as under:

(In Rs. million)

Particulars	FY 2014	FY 2013	FY 2012
Share Capital	59.65	5.49	0.00
Reserve & Surplus	-29.66	-0.05	0.00
Total Assets	1648.54	253.40	0.00
Total Debt	1473.54	100.45	0.00
Fixed Assets	869.57	167.99	0.00
Revenue	91.26	0.00	0.00
EBIDTA	-13.10	0.00	0.00
PAT	-32.03	0.00	0.00

Since Sarlaflex was incorporated in Apil, 012, the financial statements are available from FY 2013

2. SOHL

SOHL is a wholly owned subsidiary of our Company registered in the BVI on September 05, 2006. SOHL is the marketing and investment arm for our Company substantially catering to the market in Vietnam and Thailand. It mainly markets and sells the poly texturised yarn that is manufactured by us in India.

- ***Board of Directors***

  The Board of Directors of SOHL as on September 30, 2014 is as follows:

  (i) Mr. Krishnakumar Jhunjhunwala

  (ii) Mr. Abheesh Kumar Achuthan Kallorathu

  (iii) Kammar Chandrashekhar Nagappa

- ***Financial Information:***

  The brief financial Information of SOHL is as follows:

(In Rs. million)

Particulars	FY 2014	FY 2013	FY 2012
Share Capital	19.70	19.70	19.70
Reserve & Surplus	348.62	220.04	186.04
Total Assets	479.50	334.61	241.08
Total Debt	0.00	0.00	0.00
Fixed Assets	0.00	0.00	0.00
Revenue	338.32	361.32	275.81
EBIDTA	128.97	85.13	60.68
PAT	128.57	84.77	60.49

3. Sarla Europe LDA

Sarla Europe LDA is a subsidiary company of SOHL, wherein SOHL has 60% shareholding. It has its registered office at Street of the Lady of Assumption, 1, Esprela. The shareholding pattern of Sarla Eurpoe LDA as on March 31, 2014 is as set out below: There has been no change in shareholding pattern of Sarla Europe LDA thereafter.

Shareholder Name	Percentage Holding
SOHL	60.00%
Ana Margarida Pinto Moura	15.00%
Jaquim Pons Manso	25.00%
TOTAL	100.00%

- ***Board of Directors:***
  Mr. Krishnakumar Jhunjhunwala is the director of Sarla Europe LDA.

- ***Financial Information:***
  The brief financial information of Sarla Europe LDA is as under:

(In Rs. million)

Particulars	FY 2014	FY 2013	FY 2012
Share Capital	0.19	0.19	0.19
Reserve & Surplus	-9.07	-6.76	-4.51
Total Assets	16.26	16.00	16.47
Total Debt	4.40	3.64	3.56
Fixed Assets	1.94	1.93	2.29
Revenue	22.85	15.94	21.37
EBIDTA	0.13	-2.18	-1.78
PAT	0.04	-2.47	-2.04

II. JOINT VENTURES OF SUBSIDIARY COMPANIES

Sarla Tekstil Filament Sanayi Ve Tic.

Sarla Tekstil Filament Sanayi Ve Tic., based in Turkey, is a joint venture company of SOHL, in which SOHL holds 45% stake. It was incorporated in the year 2010 and has its registered office at Akcaburgaz Mah.2.Cadde 117, SK, No. 2, Esenyurt. It is mainly in the business of manufacture of dyed yarn.

MRK S.A. De C.V.

MRK S.A. de C.V., based at Honduras, Central America, is a joint venture company of SOHL, in which SOHL holds 33.33% shares. It is mainly in the business of manufacture of nylon and polyester rubber/ lycra/ spandex covered yarn to cater the specialized needs of hosiery and narrow fabric manufacturers.

SOHL is in commercial disputes with the other shareholders of MRK S.A. de C.V. who have been non co-operative with the SOHL and have been attempting to deny SOHL its rights as a shareholder. Our Company is not in a position to be able to procure all information, including financial, in respect of this Joint Venture.

Taking the above into consideration, the financial performance of this Joint Venture was not taken into consideration while preparing the Consolidated Financial results for the year 2012-13 & 2013-14.

M/s Savitex, S.A. De C.V.

M/s Savitex, S.A. De C.V., based at Honduras, Central America, is a joint venture company of SOHL, in which SOHL holds 40% stake. It is a manufacturer of polyester textured yarn, twisted yarn and dyed yarn in Honduras.

SOHL is in commercial disputes with the Manager of Savitex S.A. de C.V. As a result of the fraudulent activities by its Manager, Mr. Raouf Dallala, SOHL´s rights of placing a representative on the board of directors of Savitex S.A. de C.V. was not being honoured. Further, SOHL was also not being allowed to review the accounting of the Savitex S.A. de C.V which has also lead to financial irregularities and violations. As a result, Marco Antonio Calix Molina, in his capacity as a legal representative of the company SOHL, filed Complaint 52-2013 – Q against Mr. Raouf Dallala in the Criminal Court of San Pedro Sula, Cortés for fraud and the matter is currently pending. Our Company is not in a position to be able to procure all information, including financial, in respect of this Joint Venture. Taking the above into consideration, the financial performance of this joint venture was not taken into consideration while preparing the Consolidated Financial results for the year 2012-13 & 2013-14.

The Shareholding Pattern for the Joint Venture Companies of our Subsidiaries as on March 31, 2014, is as under:

Subsidiary	Shareholder	Amount Invested (In Rs. million)	Shareholding
Sarla Europe Lda	SOHL	0.19	60.00%
Sarla Tekstil Filament Sanayi Ve Tic.	SOHL	12.68	45.00%
MRK S.A. De C.V.	SOHL	4.53	33.33%
M/s Savitex, S.A. De C.V.	SOHL	38.08	40.00%

A statement containing particulars of transactions involving financial obligations of our Company with its Subsidiaries and Joint Ventures as on March 31, 2014 is as follows:

As on Year Ended March 31, 2014

(In Rs. million)

Particulars	Subsidiaries	Joint Ventures
Investment in Shares	77.97	-
Unsecured Loan Repaid	58.60	-
Remuneration	-	
Advance Received	0.42	-
Interest / Commission paid	6.73	-
Sale of Goods	310.18	-
Debtors	120.28	1.53
Dividend Received	43.97	-
Sale of Machinery	31.73	-

REGULATIONS AND POLICIES

The following description is a summary of specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

I. LABOUR RELATED STATUTES

1. The Factories Act, 1948;
2. The Employees' State Insurance Act, 1948;
3. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
4. The Maternity Benefit Act, 1961**;**
5. The Payment of Bonus Act, 1965;
6. The Payment of Gratuity Act, 1972;
7. The Contract Labour (Regulation and Abolition) Act, 1970;
8. The Employee's Compensation Act, 1923;
9. The Payment of Wages Act, 1936;
10. The Payment of Bonus Act, 1965,
11. The Industrial Disputes Act, 1947

II. ENVIRONMENTAL RELATED STATUTES

1. The Environment (Protection) Act, 1986;
2. The Hazardous Wastes (Management and Handling) Rules, 1989;
3. The Water (Prevention and Control of Pollution) Act, 1974;
4. The Air (Prevention and Control of Pollution) Act, 1981;
5. Indian Boilers Act.

III. FOREIGN INVESTMENT REGULATIONS

1. The Foreign Exchange Management Act, 1999 and regulations, notifications and circulars issued thereunder;
2. Foreign Trade (Development & Regulation) Act, 1992.

I. LABOUR RELATED STATUTES

The Factories Act, 1948

The Factories Act, 1948 ("Factories Act") seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. The Factories Act defines a 'factory' to be any premise which employs or employed on any day in the previous twelve months, ten or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous twelve months, at least twenty workers working even though there is no manufacturing process being carried on with the aid of power. State Governments prescribe rules with respect to the submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain monetary contributions in relation to employee welfare, and are also required to register themselves under the ESI Act and maintain prescribed records and registers.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 provides for the institution of compulsory provident funds, pension funds and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

The Maternity Benefit Act, 1961

The purpose of the Maternity Benefit Act, 1961, is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter-alia, for payment of maternity benefits, medical bonus and enacts prohibitions on dismissal and reduction of wages paid to pregnant women.

The Payment of Bonus Act, 1965

Under the Payment of Bonus Act, 1965, a minimum prescribed bonus has to be paid to eligible employees. The minimum bonus to be paid to each employee must be paid irrespective of the existence of any allocable surplus. If the allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of twenty percent of such salary or wage. 'Allocable surplus' is defined as a specified percentage of the available surplus in the financial year, before making arrangements for the payment of dividend out of profit of our Company.

Payment of Gratuity Act, 1972

Under the Gratuity Act an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent on an employee having completed five years of continuous service. An employee in a factory is said to be in 'continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of twelve months or 120 days in a period of six months immediately preceding the date of reckoning.

The Contract Labor (Regulation and Abolition) Act, 1970, as amended (the "CLRA")

The CLRA requires establishments that employ or employed on any day in the previous twelve months, twenty or more workmen as contract labor to be registered and prescribes certain obligations with respect to the welfare and health of contract labor. The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labor cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labor except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labor, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

Employee's Compensation Act, 1923

Under the Employee's Compensation Act, if personal injury is caused to a workman by accident arising out of and in the course of employment, the employer would be liable to pay such workman compensation in accordance with the provisions of the Workmen's Compensation Act. However, no compensation is required to be paid (i) if the injury does not disable the workman for a period exceeding three days, (ii) where the workman, at the time of injury, was under the influence of drugs or alcohol, such injury not resulting in death or permanent total disablement, or (iii) where the workman willfully disobeyed safety rules or willfully removed or disregarded safety devices.

Payment of Wages Act, 1936

Every employer is required to pay wages to persons employed by him within wage-periods not exceeding one month under the Payment of Wages Act. This Act also provides for certain authorized deductions that may be made from the wages payable to such employed persons, including fines imposed for acts or omissions specified by notice with the previous approval of the appropriate Government or prescribed authority, deductions for absence from duty, deductions for house-accommodation amenities and services rendered by the employer and accepted as terms of employment by the employed person, deductions for recovery of advances and loans and deductions for payments to co-operative societies and insurance schemes. The appropriate Government has the power, under the Payment of Wages Act, to appoint authorities to hear and decide claims arising out of deductions from wages or delay in payment of wages, including all matters incidental to such claims.

Workmen are to be paid for overtime at overtime rates stipulated by the appropriate Government. Contravention of the provisions of this legislation may in certain cases result in imprisonment up to six months or a fine up to 500 or both.

The appropriate State Government may prescribe rules including the mode of calculating the cash value of wages, time and conditions of payment and permissible deductions from wages.

The Payment of Bonus Act, 1965

The Payment of Bonus Act applies to every factory and every other establishment in which twenty or more persons are employed on any day during an accounting year. The object of the Payment of Bonus Act is to

provide for the payment of bonus to persons employed in certain establishments on the basis of the production or productivity and for matter connected therewith.

The Industrial Disputes Act, 1947

The Industrial Disputes Act provides the machinery and procedure for the investigation settlement of industrial disputes and for providing certain safeguards to the workers. The Industrial Disputes Act aims to improve the service conditions of industrial labour. When a dispute exists or is apprehended, the appropriate Government is empowered to refer the dispute to an authority mentioned under the Industrial Disputes Act in order to prevent the occurrence or continuance of the dispute. Reference may be made to a board of conciliation constituted under the Industrial Disputes Act, labour court, tribunal, arbitrator, or any other applicable authority, to prevent a strike or lock out while a proceeding is pending. Wide powers have been given to the labour courts and tribunals under the Industrial Disputes Act while adjudicating a dispute to grant appropriate relief.

II. ENVIRONMENTAL RELATED STATUTES

Our business is subject to environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

Our operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to our operations include:

Manufacturing units must ensure compliance with environmental legislation, such as the Water (Prevention and Control of Pollution) Act 1974, ("Water Act"), the Air (Prevention and Control of Pollution) Act, 1981, ("Air Act"), and the Environment Protection Act, 1986, ("EPA"). The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards ("PCBs"), which are vested with diverse powers to deal with water and air pollution, have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution controlling devices in industries and undertaking inspections to ensure that industries are functioning in compliance with prescribed standards. These authorities also have the power of search, seizure and investigation. All industries are required to obtain and regularly renew consent orders from the PCBs, which are indicative of the fact that the industry in question is functioning in compliance with applicable pollution control norms.

The Environment (Protection) Act, 1986, as amended (the "EPA")

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Government of India with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for inter alia, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution.
There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Hazardous Wastes (Management and Handling) Rules, 1989

The Hazardous Wastes (Management and Handling) Rules, 1989 stipulates the manner in which the occupier and the operator of a facility that treats hazardous wastes, properly collects, treats, stores or disposes of hazardous wastes. When an accident occurs in a hazardous site or during transportation of hazardous wastes, then the relevant State Pollution Control Board has to be immediately alerted. If, due to improper handling of hazardous waste, any damage is caused to the environment, the occupier or the operator of the facility and are liable to pay certain remedial expenses and/or penalties.

The Water (Prevention and Control of Pollution) Act, 1974, as amended (the "Water Act")

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, inter alia, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, inter alia, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

A central water laboratory and a state water laboratory have been established under the Water Act.

The Air (Prevention and Control of Pollution) Act, 1981, as amended (the "Air Act")

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Under the Air Act, the Central Pollution Control Board has powers, inter alia, to specify standards for quality of air, while the State Pollution Control Boards have powers, inter alia, to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

Indian Boilers Act

This act regulates manufacture, registration and use of steam boilers. Central Government has been empowered to constitute the Central Boilers Board. The Indian Boilers Regulations 1950, prescribe detailed technical requirements for design, construction, manufacture, registration, testing and examination of all types of boilers, steam piping and other accessories. State Governments are empowered to make rules for appointment of inspectors, certification of Boilers, enquiry into accidents, etc. In many states, the factories inspectorate and Boilers Inspectorate are under one authority i.e. Chief Inspector of Factories and Boilers.

III. FOREIGN INVESTMENT REGULATIONS

The Foreign Exchange Management Act, 1999 and regulations, notifications and circulars issued thereunder.

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA"), which relates to regulation primarily by the RBI and the rules, regulations, circulars and notifications issued thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion ("DIPP"), Government of India which is regulated by the Foreign Investment Promotion Board ("FIPB").

The RBI, in exercise of its power under the FEMA, has notified the FEMA 20 to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for Foreign Direct Investment ("FDI") under the "automatic route" within the specified sectoral caps. In respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Foreign Trade

The Foreign Trade (Development & Regulation) Act, 1992

The Foreign Trade (Development & Regulation) Act, 1992, provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India.

LEGAL PROCEEDINGS

Our Company and the Subsidiaries are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, amongst others, tax (including excise duty), regulatory and other disputes. Our Company does not expect these legal proceedings to have a material adverse impact on our business, results of operations and financial condition.

As of the date of this Preliminary Placement Document, except as disclosed hereunder, there is no material governmental, legal or arbitration proceedings or litigation against our Company , Subsidiaries, Promoters and Directors and our Company is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation against us which, in either case, involve a claim of more than Rs. 0.5 million or may have a significant effect on the performance of our Company.

I. Proceedings involving our Company

Proceedings filed against our Company

Criminal Matters

There are no criminal matters pending against our Company.

Civil matters

Central Excise

There are certain disputes relating to central excise duty and customs duty that have been filed against our Company. Brief details of such proceedings are set forth below:

1. Order No. A-952-954/WZB/AHD/2009, dated May 29, 2009 passed in the Appeal Nos. E/3413 and 3414 of 2003 along with E/5805 by Customs Excise & Service Tax Appellate Tribunal ("**CESTAT**"). The central excise authorities initiated proceedings against our Company on the ground that the bales of nylon covered yarn manufactured through air covering was not classifiable under Chapter No. 5606.06 but was classifiable under Chapter No. 5402.62/61 of the Central Excise Tariff Act, 1985. Further the basic duty paid on Domestic Tariff Area clearance, paid on the basis of amount equivalent to 50% duty of customs, was not correct and duty was required to be paid on the basis of 50% aggregate duty of customs. Subsequently, the excise authorities vide their order dated October 23, 2003 confirmed:
2.
   (i) The demand of Central Excise Duty equivalent to the aggregate of customs duty of Rs.1.59 million and Rs. 2.89 million under Section 11A(2) of the Central Excise Act, 1944, ordering the same to be paid forthwith;
   (ii) Imposed a Penalty of Rs. 4.89 million on an act under Section 11AC of the Central Excise Act, 1944;
   (iii) Imposed an equivalent amount of penalty of Rs. 4.48 million on the Managing Director of our Company under Rule 2098 of the erstwhile Central Excise Rule, 1944; and
   (iv) Ordered our Company to pay the interest at the rate of 24% P.A. of delayed payment of Central Excise mentioned therein.

   Various proceedings were thereafter undertaken before the Commissioner of Central Excise (Appeals) and finally the matter was challenged before the CESTAT under Section 35B of the Central Excise Act, 1944 vide Appeal Nos. E/3413 and 3414 of 2003 along with E/5805. By the Order dated May 29, 2009, the CESTAT partly allowed the Appeal whereby the classification as held by the excise authorities came to be upheld. However, the invocation of extended period of the penalty imposed came to be set aside.

Against the said Order by CESTAT, our Company has filed the captioned Civil Appeals No. 5805 to 5807 of 2009 before the Hon'ble Supreme Court of India under Section 35L of the Central Excise Act, 1944 before the Hon'ble Supreme Court wherein we submitted that the classification of the yarn manufactured by our Company was rightly done under Chapter 56 and not under Chapter 54 as upheld by the Tribunal. Further, support is derived from Note No. 3 of Chapter 54 as well as explanatory notes to Harmonised System of Nomenclature. The said matter was last heard on September 28, 2012, wherein it was noted that all pleadings with regard to the said matter are completed and the said matter is required to be placed before the Hon'ble Supreme Court. Accordingly, the matter is currently pending for hearing before the Hon'ble Supreme Court. Likewise, for another period i.e. March 2003 to December 2003, the excise department had initiated similar proceedings. Finally vide order dated August 4, 2009 passed in Order no. A/1805/WZB/AHD/2009, the CESTAT following its order dated May 29, 2009 mentioned hereinabove, set aside the order in Appeal no. MCRS/215/VAPI/2005 dated May 25, 2005 and passed the order in line with its previous order mentioned above. Being aggrieved by the said order, our Company has preferred Civil Appeal no. 7253 of 2009 before the Hon'ble Supreme Court of India. The matters were last listed on September 27, 2012 wherein it was ordered that the pleadings in the said matter are complete and the matter be now placed for hearing. Accordingly, the matter will now be listed in due course for hearing before the Hon'ble Supreme Court.

3. The Directorate General of Anti Evasion (Central Excise) issued a show cause notice on June 13, 2000 in the context of an alleged diversion of imported Polyester and Texturised Yarn drawn out of Polyester without payment of appropriate customs duty and excise duty. It was alleged in the said show cause notice that our Company has transactions with one M/s. Gupta Carpet Udhyog Ltd., now known as M/s. Ashnoor Textiles Mills Ltd., wherein Texturised Yarn was removed from one EOU to another under Forms CT-3/ARE-3, but goods did not move and re-warehousing, which was done, was fake. It was alleged that such transactions were normally Inter-State and that the dealing and receiving parties were giving hefty commission for providing fake Re-warehousing Certificate. It was also alleged that the manufacturing units were of cotton terry towel use cotton yarn for manufacturing, but were falsely showing the consumption of polyester texturised yarn to avail the export benefits. Based on this allegation, the concerned authority, issued a show cause to our Company as to why Central excise duty amounting to Rs.47.90 million be not levied for the goods defaulted and cleared under Forms CT-3 and ARE-3 and be recovered jointly and severely from the various parties involved therein. Additional interest under the statute was also sought to be levied along with the penalty in accordance with law. Subsequently another show cause notice dated March 01, 2001 came to be issued by the same authority on the same lines as mentioned above with regards to another similar transactions.

   Our Company provided its detailed response by its submission dated June 15, 2005, wherein our Company submitted that the transactions were done in accordance with the law as their unit was an EOU and also supplied to local unit without making payment of duty against CT-3 Certificate, which was deemed export. After considering the submissions of all the parties concerned therein, the Commissioner of Central Excise (Adjudication), Mumbai vide an Order dated December 18, 2006, passed in Order in Original No. 18 to 35/COMMR/06, finally confirming the duty of Rs. 47.90 million against our Company. Further penalty of Rs.10 million was also imposed under Rule-209 of Central Excise Rules, 1944. Additionally for its Vapi Unit a penalty of Rs.17.40 million also came to be imposed under Rule-209 of Central Excise Rule, 1944. Against the said order, a group of appeals came to be filed before the CESTAT, Mumbai wherein the lead matter was numbered as Appeal no. E/402/2007. In the said matter, lastly Gupta Carpet Udhyog Ltd. had alleged bias of the Member of the Bench taking up such matter and had requested the Principal Bench to transfer the matters to another appropriate bench. Finally vide order dated August 21, 2014, the bench has recused itself and has passed an order to place the matter upon appropriate order being passed by the Principal Bench. Currently the matter is pending for an order to be passed by the Principal Bench for allocation of matter to another Member of the Tribunal.

4. A show cause notice dated August 14, 1996 came to be issued to our Company and to other officers of our Company seeking to recover the excise duty as well penalty averring that stock of 757 cartons of Polyester Texturised Yarn ("**PTY**") / Polyester Filament Yarn ("**PFY**") which were purported to be cleared for export to Nepal without payment of Central Excise Duty thereon were diverted to the local market by evading excise duty payable on it through M/s. Dooras Transport Ltd. and one Shri Rajiv Khandelwal – Indenting Agent. Out of the 757 Cartons, 358 Cartons were fraudulently and illegally sold out in local market at Mumbai by Rajiv Khandelwal and the remaining 399 Cartons were lying in his godown.

   After hearing the parties, the then Commissioner of Central Excise, Surat, vide its Order dated April 22, 1997 bearing No. 28/MP/97 levied the appropriate duty and penalty for the alleged default with respect to 757 cartons.

   Against the said Order, our Company preferred an Appeal before the CESTAT, which *vide* its Order dated October 24, 2007 ordered *de novo* adjudication of the case for the purpose of verifying the duty on the released 399 cartons if they were found subsequently exported. Subsequently, another Order dated December 17, 2007 came to be passed by the CESTAT, wherein it has directed the Commissioner to consider afresh the issue of whether the goods need to be confiscated in the remand proceeding. Pursuant thereto, the Commissioner of Central Excise and Customs at Vapi initiated proceeding and after hearing our Company, the said officer *vide* his Order dated November 27, 2008 ordered the confiscation of the seized 399 cartons valued at Rs.1.56 million. He further re-imposed the amount of fine of Rs.0.33 million imposed earlier. Additional Central Excise Duty amounting to Rs.0.16 million was levied on the non-duty paid POY in the clearance yarn meant to be exported to Nepal but diverted to the local market. Additionally, the said officer imposed custom duty amounting to Rs.1.00 million for the lapse in the aforesaid transaction. Further our Company was directed to pay re-determined central excise duty amounting to Rs.1.56 million for the said diversion of goods. Against the said order, our Company has preferred appeal before the CESTAT bearing Appeal no. C/38/2009 and vide order dated August 4, 2009, the CESTAT, while admitting the appeal, has granted unconditional stay with regard to pre-deposit of the balance amount of duty.

5. The Joint Commissioner, Central Excise & Customs, Vapi and the Commissioner, Central Excise, Customs & Service Tax, Vapi have issued certain notices as specified in the table below, directing our Company to give reasons for (a) Not demanding of the central excise duty and education cess payable on clearance of Nylon Filament Yarn of 210 Denier in Domestic Tariff Area, (b) No imposition of penalty under Rule 25 of the Central Excise Rules, 2002 and (c) Non-payment of interest on the duty payable under (a) and (b) as provided in Section 11AB of the Central Excise Act, 1944.

   In each of the show causes notices, the concerned authorities have taken the ground that our Company has contravened the following provisions:

   (i) The condition of Notification 30/2004-CE, dated July 09, 2004 as our Company has not received duty paid goods and thus question of availment of Cenvat in terms of Cenvat Credit Rules, 2004 does not arise and thus it has wrongly availed benefit of the Notification.
   (ii) The provisions of Explanation 1 to proviso (ii) to sub-section 1 of section 3 of Central Excise Act, 1944 in as much Company did not pay duty at the highest rate as, on like goods, duly leviable for the time being in force is leviable at different rates.
   (iii) Rule 4 of the Central Excise Rules, 2002 in as much as the Company has failed to pay proper duty leviable on goods cleared.
   (iv) Rule 6 of Central Excise Rules, 2002 in as much as the Company has failed to assess the correct duty payable on goods cleared.
   (v) Rule 8 of Central Excise Rules, 2002 in as much as the Company has failed to pay duty on goods removed from factory or warehouse by 5th day of the following month.

(vi) Rule 11 of Central Excise Rules, 2002 in as much as the Company has failed to declare correct rate of duty in their invoices as required.

(vii) Rule 17 of Central Excise Rules, 2002 in as much as the Company has failed to declare correct rate of duty in their invoices as required under Rule 11 of Central Excise Rules, 2002.

Sr. No.	Show cause Notice Ref. No.	Description	Issuing Authority
1.	F.No. V (Ch.54 & 55) 3-49/DEM/07-08, Dated 3.04.2008	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess) of Rs.259,246/- during the period April 2007 to July 2007 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs.1,598,408/- during the period from April 2007 to July 2007.	Joint Commissioner, Central Excise & Customs, Vapi.
2.	F.No. V(Ch.54 & 55) 3-45/DEM/07-08, Dated 06.08.2008	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess) of Rs.145,269/- during the period August 2007 to December 2007 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs.2,277,027/- during the period from August 2007 to December 2007.	Joint Commissioner, Central Excise & Customs, Vapi.
3.	F.No. V(Ch.54 & 55) 3-102/DEM/ 08-09, Dated 17.12.2008	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess) of Rs.167,914/- during the period January 2008 to April 2008 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs. 2,241,037/- during the period from January 2008 to April 2008.	Joint Commissioner, Central Excise & Customs, Vapi.
4.	F.No. V(Ch.54 & 55) 3-122/ DEM/ 08-09, Dated 02.04.2009	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess) of Rs.398,495/- during the period May 2008 to September 2008 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs.3,759,445/- during the period from May 2008 to September 2008.	Joint Commissioner, Central Excise & Customs, Vapi.
5.	F.No. V(Ch.54 & 55) 3-09/DEM/ 09-10, Dated 06.10.2009	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess) of Rs.254,520/- during the period October 2008 to March 2009 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs.3,214,791/- during the period from October 2008 to March 2009.	Joint Commissioner, Central Excise & Customs, Vapi.
6.	F.No. V(Ch.54 &	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty (inclusive of Education Cess)	Commissioner, Central Excise, Customs & Service

Sr. No.	Show cause Notice Ref. No.	Description	Issuing Authority
	55) 3-10/DEM/ 2010, Dated 03.05.2010	of Rs.711,425/- during the period April 2009 to March 2010 and **(2)** Central Excise Duty (inclusive of Education Cess) of Rs.8,749,188/- during the period from April 2009 to March 2010	Tax, Vapi.
7.	F.No. V(Ch.54) 3-10/DEM/ 2011, Dated 28.04.2011	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs duty (inclusive of Education Cess) of Rs.921,221/- during the period April 2010 to September 2010 and **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.10,360,814/- during the period from April 2010 to September 2010	Commissioner, Central Excise, Customs & Service Tax, Vapi.
8.	F.No. V(Ch.54 & 55) 3-55/DEM/ 2011 – 12, Dated 02.09.2011	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs duty (inclusive of Education Cess) of Rs.738,181/- during the period October 2010 to March 2011 and **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.10,107,733/- during the period from October 2010 to March, 2011	Commissioner, Central Excise, Customs & Service Tax, Vapi.
9.	F.No. V(Ch.54) 3-09/DEM/ 2012, Dated 15.02.2012	Show Cause Notice in relation to Non payment of: **(1)** Central Excise Duty equal to aggregate of Customs Duty (including Education Cess) of Rs.781,988/- during the period April 2011 to September 2011 And **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.9,364,931/- during the period from April 2011 to September 2011	Commissioner, Central Excise, Customs & Service Tax, Vapi.
10.	F.No. V(Ch.54) 3-63/DEM/ 2012-13 Dated 25.10.2012	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs Duty (including Education Cess) of Rs.742,225/- during the period October 2011 to March 2012 and **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.9,034,726/- during the period from October 2011 to March 2012	Commissioner, Central Excise, Customs & Service Tax, Vapi.
11.	F.No. V(Ch.54) 3-11/DEM/ 13 Dated 08.04.2013	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs Duty (including Education Cess) of Rs.1,395,516/- during the period April 2012 to September 2012 and **(2)** Central Excise Duty equal to aggregate of Customs	Commissioner, Central Excise, Customs & Service Tax, Vapi.

Sr. No.	Show cause Notice Ref. No.	Description	Issuing Authority
		Duty (inclusive of Education Cess) of Rs.12,643,370/- during the period from April 2012 to September 2012	
12.	F.No. V(Ch.54) 3-63/DEM/ 13 Dated 19.09.2013	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs Duty (including Education Cess) of Rs.2,725,695/- during the period October 2012 to June 2013 and **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.21,531,445/- during the period from October 2012 to June 2013	Commissioner, Central Excise, Customs & Service Tax, Vapi.
13.	F.No. V(Ch.54) 3-45/DEM/ 13 Dated 16.07.2014	Show Cause Notice in relation to non-payment of: **(1)** Central Excise Duty equal to aggregate of Customs Duty (including Education Cess) of Rs.1,463,614/- during the period July, 2013 to February, 2014 and **(2)** Central Excise Duty equal to aggregate of Customs Duty (inclusive of Education Cess) of Rs.19,361,459/- during the period from July, 2013 to February, 2014	Commissioner, Central Excise, Customs & Service Tax, Vapi.

Writ Petitions

There are no ongoing writ matters against our Company.

Sales Tax Matters

There is no Sales Tax Litigation pending against our Company.

Inquiries, inspections or investigations under Companies Act

ROC Proceedings

Our Company has received certain show cause notices from the ROC, which have been replied to and no further notices/communication/details have been received by our Company with regards to the subject matter thereafter, however, we have set out below a brief description of the matters:

1. A show cause notice was issued by the office of the RoC bearing No. ROC/Guj/234/Interface Fin./2013/237 dated April 22, 2013 for violation of Section 234(1) read with Section 234 (3A) of the Companies Act, 1956 stipulating that our Company has not furnished full information with regards to the unsecured loan of Rs. 13.07 million to its Joint Venture, Savitex S.A. de C.V (Honduras) and an advance of Rs. 0.45 million paid to Zabatex Textile Industries Pvt. Ltd.. The information relating to the Directors/Partners of the above two concerns were sought by the RoC to highlight the relation of the directors/members of these entities with our Directors and the shareholding pattern of the above stated two entities. We were also directed to furnish compliance of Section 383-A of the Companies Act, 1956 furnishing details such as the periods during which our Company was not having a whole time company secretary in its employment. Our Company has sent its response setting out reasons vide communication bearing no. SPFL/241/2013-14

dated April 29, 2013 and has since January 28, 2012 also appointed a whole time company secretary. No further notices/communication/details have been received by our Company with regards to the same.

2. A show cause notice was issued by the office of the RoC bearing No. ROC/Guj/234/Interface Fin./2011/124434 dated February 7, 2011 for violation of Section 234(1) read with Section 234 (3A) of the Companies Act, 1956 for the reason that during the technical scrutiny of the balance sheet as at March 31, 2007 certain irregularities were observed and our Company was asked to clarify upon the same by the RoC under Section 234 to which our Company was unable to furnish any clarifications within the timelines. Our Company has responded to the show cause notice vide response dated February 15, 2011 and thereafter we have not received any further communications from the RoC in this regard.

3. A show cause notice for technical scrutiny of balance sheet as at March 31, 2007 was issued by the office of the RoC bearing No. ROC/TS/54-56/11365/05 dated September 30, 2009 for violation of Section 234(1) read with Section 234 (3A) of the Companies Act, 1956 for the reason that during the technical scrutiny of the balance sheet as at March 31, 2007 requesting us to provide complete information on certain points in respect of the Balance Sheet and further correspondence bearing No. ROC/TS/54-56/13922 dated November 28, 2008 seeking response to the aforesaid order which was responded to by our Company vide its correspondence bearing No. 1835/2008-09. We have not received any further communications from the RoC in this regard.

Material Frauds

There are no material frauds committed against our Company during the last 3 (three) years.

Other Confirmations

Save and except as disclosed above , there are no other outstanding or pending litigation or legal action against our Company taken by any ministry or department of the Government or a statutory authority against our Promoters during the last three years immediately preceding the year of the circulation of this Preliminary Placement Document.

Save and except as disclosed above, there have been no other instances of compounding of offences, prosecutions filed (whether pending or not) fines imposed, with respect to offences under the Companies Act, 1956 or the Companies Act, 2013 in the last three years immediately preceding the year of the offer.

Save and except as disclosed above, there have been no other inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of this Placement Document with respect to our Company.

II. Proceedings filed by our Company

Save and except the following, there are no proceedings filed by our Company against any person or entity:

1. Our Company has filed a winding up petition against M/s Parekh Fabrics Private Limited u/s 433(e) and (f) and 439(c) of the Companies Act and Rule 95 of the Companies (Court) Rules, 1959, for non-payment of the dues to our Company by Parekh Fabrics Private Limited amounting to Rs. 2.21 million. The matter is currently pending before the High Court of Andhra Pradesh.

2. Our Company has filed a suit for recovery of dues against Zabatex Textile Industries Private Limited for recovery of dues amounting to Rs. 23.5 million. The matter is currently pending before the courts at Silvassa.

III. *Legal proceedings involving our Subsidiaries:*

- ***Proceedings filed against our Company's subsidiaries***

There are no proceedings filed against our Subsidiaries'

- ***Proceedings filed by our Company's subsidiaries***

Save as disclosed below, there are no proceedings filed by our Subsidiaries':

As a result of fraudulent activities by Mr. Raouf Dallala (Manager of Savitex S.A. de C.V.), SOHL´s rights of placing a representative on the board of directors of Savitex S.A. de C.V. was not being honoured. Further, SOHL was also not being allowed to review the accounting of the Savitex S.A. de C.V which led to financial irregularities and violations. As a result, Marco Antonio Calix Molina, in his capacity as a legal representative of the company SOHL, filed Complaint 52-2013 – Q against Mr. Raouf Dallala in the Criminal Court of San Pedro Sula, Cortés for fraud and the matter is currently pending.

Further, SOHL and the administration of Savitex S.A. de C.V, filed complaints 0502-2013-00003J1 and 0502-2013-00004J2 before the City Civil Court of Choloma, challenging the social agreements adopted at Savitex S.A. de C.V, and business valuation/assessment of Savitex S.A. de C.V. and the matter is currently pending.

IV. Legal proceedings involving our Promoters

Except as stated below, there is no litigation or legal action against the promoters of our Company taken by any Ministry or Department of the government or any statutory authority.

SEBI Proceedings

SEBI has issued its order bearing No. WTM/RKA/CFD-DCR-1/107/2014 dated September 5, 2014 ("**Order**") against certain Promoters of our Company viz. Madhusudan Jhunjhunwala, Krishnakumar Jhunjhunwala, Vrinda K. Jhunjhunwala, Sarladevi Jhunjhunwala, Satidham Industries Pvt. Ltd., Hindustan Cotton Co., Krishnakumar & Sons – HUF, Madhusudan Jhunhjunwala HUF ("**Concerned Promoters**") in the matter relating to the acquisition of 27,633 equity shares of our Company by the Concerned Promoters without having made a public announcement as required under regulation 11(2) of the Takeover Code. The matter deals with the acquisition by the Concerned Promoters of more than 5% shares of our Company in a Financial Year.

In the Order, SEBI has noted that pursuant to the SEBI (Substantial Acquisition of Shares and Takeover Regulations) (Amendment) Regulations, 2008, SEBI received various representations as to whether the creeping acquisition of 5% under 11(2) was a one-time acquisition or was the 5% threshold available for every FY. This ambiguity was put to rest by SEBI vide its interpretative circular dated August 6, 2009 whereby it was clarified that the limit of 5% was applicable without any restriction on the time frame (not every FY). SEBI issued a show cause notice to the promoters of SPFL for violations under Takeover Code 1997 and for triggering the maximum acquisition limits without making an open offer. However based on various explanations by the promoters on the facts of the case and ambiguities in the interpretation of regulations, as to the applicability or the extent of exemption given under regulation 11(2) and submissions confirming that intent was not to consolidate their shareholding in contravention of the SEBI Takeover Regulations but rather a *bonafide* mistake in interpretation of the provisions, SEBI in the Order has granted a benefit of doubt and restricted its direction only to the extent of the shares that were acquired by the Concerned Promoters after the date of publication of

the aforesaid interpretative circular dated August 6, 2009 (i.e. 27,633 shares). SEBI has directed the Concerned Promoters to jointly and severally disinvest 27,633 shares of our Company held by them through sale to parties not connected/ related to them in small lots in tranches on the BSE and NSE ensuring that such sale does not disturb the market equilibrium; and transfer the entire proceeds of such sale of shares to the Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.

The Order requires the Concerned Promoters to comply with the directions within a period of 3 (three) months from the date thereof. The Concerned Promoters are in the process of filing an appeal against the Order before the Securities Appellate Tribunal.

V. Legal proceedings involving our Directors

There is no litigation or legal action against the Directors of our Company.

VI. Compounding Proceedings in the last three years immediately preceding the year of this Placement Document:

There have been no compounding proceedings involving our Company in the last three years immediately preceding the year of this Placement Document.

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, Allocation and Allotment of the Equity Shares pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below and the Investors are advised to appraise themselves of the same from our Company or the Book Running Lead Manager. The Investors are further advised to inform themselves of any restrictions or limitations that may be applicable to them, and are required to consult their respective advisers in this regard. Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company, the Book Running Lead Manager and their respective directors, officers, agents, advisors, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribe to and acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to subscribe to and acquire Equity Shares. Our Company, Book Running Lead Manager and their respective directors, officers, agents, advisors, affiliates and representatives accept no responsibility or liability for advising any Investor on whether such Investor is eligible to subscribe to and acquire Equity Shares. For further details, please refer to the chapters titled "Transfer Restrictions" and "Selling Restrictions" at Chapter 179 and 175, of this Preliminary Placement Document.

Our Company and the Book Running Lead Manager are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of the Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Application Forms would not result in triggering an open offer under the Takeover Regulations.

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013, through the mechanism of a QIP. Under Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company may issue equity shares to QIBs provided that conditions specified therein are met by our Company. Certain of these conditions are set out below:

- The shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify that (a) the Allotment of securities is proposed to be made pursuant to the QIP and (b) the relevant date;
- Equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the abovementioned special resolution;
- The aggregate of the proposed issue and all previous qualified institutions placements made by the issuer in the same Financial Year does not exceed five times the net worth (as defined in the ICDR Regulations) of the issuer as per the audited balance sheet of the previous Financial Year;
- The issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- The issuer shall have completed Allotments with respect to any offer or invitation made by the issuer or shall have withdrawn or abandoned any invitation or offer made by the issuer;
- The issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to Rs. 20,000 calculated at the face value of the securities;

- The explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis of justification for the price (including premium, if any) at which the offer or invitation is being made;
- The offer must be made through private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- Prior to circulating the private placement letter, the issuer must prepare and record a list of QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscriber; and
- The offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the equity shares issued to QIBs must be Allotted to Mutual Funds, provided that, if this portion, or any part thereof to be Allotted to Mutual Funds remains unsubscribed, it may be Allotted to other QIBs. QIBs have been specifically defined under Regulation 2(1) (zd) of the SEBI ICDR Regulations. Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Additionally, there is a minimum pricing requirement under the ICDR Regulations. The floor price of the equity shares issued under the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5% of the floor price is permitted in accordance with the provisions of the ICDR Regulations.

The "Relevant Date" in case of Allotment of equity shares, refers to the date of the meeting in which the Board of Directors or the committee of Directors duly authorised by the Board of the issuer decides to open the proposed issue. And "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the QIP and also within 60 days from the date of receipt of subscription money from the relevant QIBs.

The Equity Shares issued pursuant to the QIP must be issued on the basis of this Preliminary Placement Document and the Placement Document that shall contain all material information including the information specified in Schedule XVIII of the ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and offer is not being made to the public or any other category of investors.

The minimum number of Allottees for each QIP shall not be less than:

- Two, where the issue size is less than or equal to Rs. 2,500 million; and
- Five, where the issue size is greater than Rs. 2,500 million.

No single Allottee shall be Allotted more than 50% of the issue size or less than Rs. 20,000 of face value of Equity Shares. QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee. For details of what constitutes "same group" or "common control", see "*Application Process" – "Application Form".*

The aggregate of the proposed QIP and all previous QIPs made in the same Financial Year shall not exceed five times the net worth of the Issuer as per its audited balance sheet of the previous Financial Year. The Issuer shall furnish a copy of the preliminary placement document to each stock exchange on which its equity shares are listed.

We have applied for the in-principle approval of Stock Exchanges under Clause 24(a) of the Listing Agreement for listing of the Equity Shares on the Stock Exchanges. We have also filed a copy of this Preliminary Placement Document with the Stock Exchanges.

We shall also make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorised and approved by the Board on August 1, 2014 and by the shareholders of our Company on September 27, 2014.

Securities Allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of Allotment except on the floor of a recognised stock exchange in India. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

- Our Company and the Book Running Lead Manager shall circulate serially numbered copies of the Placement Document and the serially numbered Application Form, either in electronic or physical form to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.
- **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB**. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.
- Bidders shall submit Bids for, and our Company shall issue and Allot to each Allottee, at least such number of Equity Shares in the Issue which would aggregate to 20,000 calculated at the face value of the Equity Shares.
- QIBs may submit the duly completed Application Form, including any revisions thereof, during the Bidding Period to the Book Running Lead Manager.
- QIBs will be required to indicate the following in the Application Form:
    - Name of the QIB to whom Equity Shares are to be Allotted;
    - Number of Equity Shares Bid for;
    - Price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by our Company in consultation with the Book Running Lead Manager at or above the Floor Price or the Floor Price net of such discount as approved in accordance with ICDR Regulations;
    - Details of the depository account to which the Equity Shares should be credited; and
    - A representation that it was outside the United States at the time the offer of the Equity Shares was made to it and is currently outside the United States and it has agreed to certain other representations set forth in the Application Form.

Note: Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Bids.

- Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

- The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI.

- Upon receipt of the filled-in Application Form from the QIBs, after the Bid/Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Manager. Upon determination of the final terms of the Equity Shares, the Book Running Lead Manager will send the serially numbered CAN along with the Placement Document to the QIBs who have been allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Book Running Lead Manager.**

- Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our designated bank account by the Pay-In Date as specified in the CAN sent to the respective QIBs. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and our Company shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

- Upon receipt of the application monies from the QIBs, our Company shall Allot Equity Shares as per the details in the CAN sent to the QIBs.

- After passing the resolution for Allotment and prior to crediting the Equity Shares into the Depository Participant accounts of the successful Bidders, our Company shall apply to Stock Exchanges for listing approval. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approval for listing of the Equity Shares on Stock Exchanges prior to crediting the Equity Shares into the beneficiary account of successful Allottees maintained with the Depository Participant by the QIBs.

- After receipt of the listing approval of Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

- Our Company will then apply for the final trading approval from Stock Exchanges.

- The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approval from Stock Exchanges.

- Upon receipt of intimation of final trading and listing approval from Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Book Running Lead Manager shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permission from Stock Exchanges or any loss arising from such delay or non- receipt. Final listing and trading approval granted by Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the ICDR Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the ICDR Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the ICDR Regulations, a QIB means:

- A mutual fund, venture capital fund, Alternative Investment Fund and foreign venture capital investor registered with SEBI;
- A foreign institutional investor and sub-accountant (other than a sub-account which is a foreign corporate or a foreign individual), registered with SEBI;
- Eligible FPIs
- A public financial institution as defined in section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- A Scheduled commercial banks;
- A Multilateral and bilateral development financial institution;
- A State industrial development corporation;
- An insurance companies registered with Insurance Regulatory and Development Authority;
- A provident fund with minimum corpus of Rs. 250 million;
- A pension fund with minimum corpus of Rs. 250 million;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- Insurance funds set up and managed by army, navy or air force of the Union of India; and
- Insurance funds set up and managed by the Department of Posts, India.

FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs shall participate in this Issue under Schedule 2 and Schedule 2A of FEMA 20, respectively. FIIs and FPIs are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs and FIIs does not exceed specified limits as prescribed under applicable laws in this regard. Other eligible non-resident QIBs shall participate in the Issue under Schedule 1 of the FEMA 20 and shall make the payment of application money through the foreign currency non-resident (FCNR) account and not through the special non-resident rupee (SNRR) account.

On January 7, 2014, SEBI notified the SEBI FPI Regulations pursuant to which the existing classes of portfolio investors namely 'foreign institutional investors' and 'qualified foreign investors' will be subsumed under a new category namely 'foreign portfolio investors' or 'FPIs'. RBI on March 13, 2014 amended the FEMA Regulations and laid down conditions and requirements with respect to investment by FPIs in Indian companies.

In terms of the SEBI FPI Regulations, investment in the Equity Shares by a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is permitted up to 10% of our post- Issue Equity Share capital. In terms of the FEMA 20, the total holding by each FPI shall be below 10% of our total paid-up Equity Share capital and the total holdings of all FPIs put together shall not exceed 24% of our paid-up Equity Share capital. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the shareholders of the Company. Further, the existing individual and aggregate investment limits for QFIs in an Indian company are 5% and 10% of the paid up capital of an Indian company, respectively. In terms of the FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In accordance with foreign investment limits applicable to our Company, total foreign investment including FPI investment may be up to 100% through the automatic route. Currently, the aggregate limit for FII/FPI/QFI investment is not permitted to exceed 24% of our total issued capital. The aggregate limit of 24% may be increased up to 100% by way of a resolution passed by the Board of Directors followed by a special resolution passed by the shareholders of the Company.

Any QFI/FII/FPI who holds a valid certificate of registration from SEBI shall be deemed to be a registered FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII or sub-account may, subject to payment of conversion fees under the SEBI FPI Regulations, participate in the Offer, until the expiry of its registration as a FII or sub-account, or if it has obtained a certificate of registration as FPI, whichever is earlier. Further, a QFI may participate in the Offer until January 6, 2015 (or such other date as may be specified by SEBI) or if it has obtained a certificate of registration as FPI, whichever is earlier.

Allotments made to FVCIs, VCFs and AIFs are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

Under Regulation 86(1)(b) of the ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the promoter:

- Rights under a shareholders' agreement or voting agreement entered into with the Promoter or persons related to the Promoter;
- Veto rights; or
- A right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in us and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the promoter.

We and the Book Running Lead Manager are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the BRLM who are QIBs may participate in the Issue in compliance with applicable laws.*

Application Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Book Running Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through an Application Form and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the "*Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions"* on pages 4, 6, 175 and 179, respectively:

- Each QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the ICDR Regulations and is not excluded under Regulation 86(1)(b) of the ICDR Regulations, has a valid and existing registration under the applicable laws in India and is eligible to participate in this Issue;
- The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;
- The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;
- Each QIB acknowledges that it has no right to withdraw its Bid after the Issue Closing Date;
- Each QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;
- Each QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted. The QIB further confirms that its holding, does not and shall not, exceed the level permissible as per any regulations applicable to it;
- Each QIB confirms that its Bid(s) would not result in triggering an open offer under the Takeover Regulations;
- Each QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue size. For the purposes of this representation:
    - The expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act 1956; and
    - 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations.

- Each QIB confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.
- The QIB represents that it is outside the United States and is acquiring the Equity Shares in an offshore transaction in reliance on Regulation S and it has agreed to certain other representations set forth in the Application Form.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, E-MAIL ID, AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Independent Eligible QIBs

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB and the number of Equity Shares applied and a copy of the PAN card or PAN allotment letter shall be submitted to the Book Running Lead Manager as per the details provided in the respective CAN. The Application Form shall be submitted to the Book Running Lead Manager either through electronic form or through physical delivery at the following address:

Name of Book Running Lead Manager: Centrum Capital Limited
Address: CentrumHouse, CSt Road
Vidyanagari Marg, Kalina,
Santacruz (East), Mumbai- 400098
Contact Person: Ms. Aanchal Wagle
Email: sarla.qip@cetrum.co.in
Telephone :+91 22 4215 9000
Fax: +91 22 4215 9707

The Book Running Lead Manager shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB should mention its PAN Allotted under the I.T. Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the Book

The QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the Book Running Lead Manager and cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Book Running Lead Manager.

Price Discovery and Allocation

Our Company, in consultation with the Book Running Lead Manager, shall determine the Issue Price, which shall be at or above the Floor Price. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the ICDR Regulations.

After finalisation of the Issue Price, our Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Company shall determine the Allocation in consultation with the Book Running Lead Manager on a discretionary basis and incompliance with Chapter VIII of the ICDR Regulations.

Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGER IS OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN Allotment letter shall be submitted to the Book Running Lead Manager.

CAN

Based on the Application Forms received from the QIBs, we, in consultation with the Book Running Lead Manager, in our sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such QIBs. Additionally, a CAN will include details of the relevant Escrow Agent Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Book Running Lead Manager and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

We have opened the "Sarla Performance Fibers Limited- QIP Escrow Account" with IndusInd Bank Limited in terms of the arrangement among us, the Book Running Lead Manager and IndusInd Bank Limited as escrow agent. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the "Sarla Performance Fibers Limited- QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

We undertake to utilise the amount deposited in "Sarla Performance Fibers Limited- QIP Escrow Account" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if we have not been able to Allot Equity Shares in the Issue.

In case of cancellations or default by the QIBs, we and the Book Running Lead Manager have the right to reallocate the Equity Shares atthe Issue Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of "Sarla Performance Fibers Limited- QIP Escrow Account" as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the "Sarla Performance Fibers Limited- QIP Escrow Account" as stated above.

In accordance with the ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

We, at our sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the QIBs' Depository Participant accounts, we will apply for final trading and listing approvals from the Stock Exchanges. In the event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by us.

In relation to QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. If you are Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI.

The Escrow Agent shall release the monies lying to the credit of the Escrow Agent Account to our Company after Allotment of Equity Shares to QIBs. In the event that we are unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of application money, we shall repay the application money within 15 days from expiry of 60 days, failing which we shall repay that money with interest at the rate of 15% per annum from expiry of the sixtieth day. The application money to be refunded by us shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

We, in consultation with the Book Running Lead Manager, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Book Running Lead Manager in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with National Securities Depository Limited ("NSDL") or Central Depository Services (India) Limited ("CDSL")

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

A QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.
The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

We will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT AND LOCK UP

Placement

Placement Agreement

The Book Running Lead Manager has entered into an Agreement dated October 18, 2014 with our Company (the "**Placement Agreement**"), pursuant to which the Book Running Lead Manager has agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription for Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the Book Running Lead Manager, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs. In connection with the Issue, the Book Running Lead Manager (or its affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Manager may purchase Equity Shares and be Allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. See "*Offshore Derivative Instruments*" at Chapter 11.

Company Lock-up

Our Company will not, without the consent of the Book Running Lead Manager, during the period of 90 calendar days after the date of Allotment of Equity Shares in the Issue, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. However, the foregoing restrictions shall not be applicable if any of the actions mentioned above are required to be undertaken pursuant to any employee stock option scheme or *inter-se* transfers between promoter group or any change in applicable law, or a direction of a court of law or the Reserve Bank of India post the date of execution of the Placement Agreement.

Promoters' Lock-up

Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala have on behalf of the Promoters and each member of the Promoter group holding together 46,17,741 Equity Shares aggregating to 66.439 % of have agreed that they will not, for a period of 90 calendar days after the date of Allotment, without the prior written consent of the Book Running Lead Managers, (a) directly or indirectly, issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, or otherwise transfer or dispose of, any promoter shares, including but not limited to any options or warrants to purchase any promoter shares, or any securities convertible into or exercisable for, or that represent the right to receive, any promoter shares or file any registration statement under the U.S. Securities Act of 1933, as amended, with respect to any of the foregoing (regardless of whether any of the transactions described in this clause (a) is to be settled by the delivery of the promoter shares or such other securities, in cash or otherwise); or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the promoter shares or any securities convertible into or exercisable or exchangeable for any of the promoter shares (regardless of whether any of the transactions described in this clause (b) is to be settled by the delivery of the promoter shares or such other securities, in cash or otherwise); or (c) deposit any of the promoter shares, or any securities convertible into or exercisable or exchangeable for the promoter shares or which carry the rights to subscribe for or purchase the promoter shares, with any depositary in connection with a depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of the promoter shares in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (c) above. However, the foregoing restrictions shall not be applicable if any of the actions mentioned above are required to be undertaken pursuant to *inter-se* transfers between promoter group or any change in applicable law, or a direction of a court of law (including the direction of SEBI made vide its order bearing No. WTM/RKA/CFD-DCR-1/107/2014 dated September 5, 2014 requiring some members of our Promoter Group to disinvest 27,633 Equity Shares) or the Reserve Bank of India post the date of execution of the Placement Agreement.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the Placement Document, and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document or the Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document or the Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under "Transfer Restrictions" at Chapter 179 below.

General

No action has been or will be taken in any jurisdiction by our Company or the Book Running Lead Manager that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Preliminary Placement Document, the Placement Document or any other material relating to our Company or the Equity Shares in the Issue in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares in the Issue may not be offered or sold, directly or indirectly and neither this Preliminary Placement Document, the Placement Document nor any other offering material or advertisements in connection with the Equity Shares issued pursuant to the Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on our Company or the Book Running Lead Manager. The Issue will be made in compliance with the ICDR Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or will be deemed to have made, as applicable, the acknowledgments and agreements as described under the sections "*Notice to Investors", "Selling Restrictions"* and *"Transfer Restrictions"*.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (Relevant Member State), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (Relevant Implementation Date), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;
- to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Book Running Lead Manager; and
- in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company

or the Book Running Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Preliminary Placement Document may issue, circulate or distribute this Preliminary Placement Document in Hong Kong or make or give a copy of this Preliminary Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within 6 (six) months following the date of issue of such Equity Shares.

India

This Preliminary Placement Document and the Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private basis and is limited to eligible QIBs and is not an offer to the public. The Issue is a "private placement" within the meaning of Section 42 of the Companies Act, 2013 since the invitation or offer is to be made only to QIBs.

This Preliminary Placement Document and the Placement Document are neither a public issue nor a prospectus under the Companies Act, 2013, or an advertisement and should not be circulated to any person other than to

whom the offer is made. This Preliminary Placement Document has not been and the Placement Document will not be registered as a prospectus with the RoC in India.

Singapore

This Preliminary Placement Document has not been and the Placement Document shall not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document, the Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Future Act (Chapter 289) of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are acquired by a person pursuant to Section 274 or 275 of the SFA, such Equity Shares shall not be transferable for six months after that person has acquired the Equity Shares, except (i) to another person who is an institutional investor or a relevant person, or (ii) pursuant to Section 275(1A) of the SFA.

Unless otherwise permitted by the SFA, where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

Securities (as defined in Section 239(1) of the SFA) of that corporation to the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

- to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

United Kingdom

The Equity Shares cannot be promoted in the U.K. to the general public. The contents of this Preliminary Placement Document have not been approved by an authorized person within the meaning of Financial Services and Markets Act 2000, as amended (the "FSMA"). The Book Running Lead Manager (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA, to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order") or (ii) fall within any of the category of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the U.K. Any invitation or inducement to engage in investment

activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the U.K.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares are being offered and sold outside the U.S. in offshore transactions in reliance on Regulation S. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in the section titled *'Transfer Restrictions'* on page 179 of this Preliminary Placement Document

TRANSFER RESTRICTIONS

Purchasers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of allotment except through the Stock Exchanges. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

Subject to the foregoing:

Each purchaser of the Equity Shares will be deemed to have represented and agreed as follows:

- It is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.

- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act.

- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the U.S. (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the U.S. (within the meaning of Regulation S).

- It is aware of the restrictions on the offer and sale of the Equity Shares pursuant to Regulation S described in this Preliminary Placement Document;

- It is not an affiliate (as defined in Rule 405 of the U.S. Securities Act) of our Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from our Company or an affiliate (as defined in Rule 405 of the U.S. Securities Act) thereof in the initial distribution of the Equity Shares;

- It agrees that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the U.S. and any other jurisdiction, including India.

- It acknowledges that our Company, the Placement Agent, its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us.

- Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions will not be recognized by our Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Book Running Lead Manager or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "SCRA") and the Securities Contracts (Regulation) Rules, 1957 (the "SCRR"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992 from time to time, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, which regulate inter alia the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalization requirements for stock exchanges. The SCRA, the SCRR and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Most of the stock exchanges have their own governing board for self regulation. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the Listing Agreements. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under such listing agreement or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such equity Listing Agreements and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier. In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scripts on which derivative products are available or scripts included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, BSE is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including Government securities, debentures, public sector bonds and units. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Midcap Index on January 1, 1996.

Internet-based Securities Trading and Services

The SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems.

Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both the BSE and the NSE occurs from Monday through Friday, from 9.15 a.m. to 3.30 p.m. Indian Standard Time. The BSE and the NSE are closed on public holidays. The stock exchanges have been permitted to set their own trading hours (in cash and derivatives segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This

has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading, which operates on strict time/price priority besides enabling efficient trade. National Exchange for Automated Trading has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Regulations, which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The Takeover Regulations prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Prohibition of Insider Trading Regulations

The Insider Trading Regulations have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA.

Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum of Association and Articles of Association and the Companies Act. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian laws, and not this summary, govern the rights attached to the Equity Shares.

General

As on the date of this Preliminary Placement Document, our authorised share capital is 10,00,00,000 consisting of 1,00,00,000 Equity Shares of 10 each and the issued share capital is 6,95,03,000 consisting of 69,50,300 Equity Shares of 10.

Articles of Association

Our Company is governed by our Articles of Association.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM held each Financial Year. Subject to certain conditions laid down by Section 123 of the Companies Act, 2013 no dividend can be declared or paid by a company for any Financial Year except out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013 or out of the profits of the company for any previous Financial Years arrived at as laid down by the Companies Act, 2013.

Further, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, in the absence of profits in any year, company may declare dividend out of surplus, provided: (a) the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year; (b) the total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid up share capital and free reserves as per the latest audited balance sheet; (c) the amount so drawn shall be first utilized to set off the losses incurred in the Financial Year in which the dividend is declared before any dividend in respect of equity shares is declared; (d) the balance of reserves after such withdrawal shall not fall below 15% of its paid up share capital as per the latest audited balance sheet of the company; and (e) no company shall declare dividend unless carried over previous losses and depreciation not provided in previous years are set off against profit of the company of the current year the loss or depreciation, whichever is less, in previous years is set off against the profit of the company for the year for which the dividend is declared or paid.

The Equity Shares issued pursuant to this Preliminary Placement Document shall rank *pari passu* with the existing Equity Shares in all respects including entitlements to any dividends that may be declared by our Company.

Unclaimed dividend shall not be forfeited by our Company unless the claim thereof becomes barred by law. In terms of Section 124 of the Companies Act, 2013, our Company shall credit such unclaimed dividends to the unpaid dividend account of our Company, and any money transferred to the unclaimed dividend account of our Company which remains unpaid and unclaimed for a period of seven years from the date they became due for payment, shall be transferred by our Company to the 'Investor Education and Protection Fund', established by the Government of India, in accordance with Section 125 of the Companies Act, 2013.

Capitalization of Reserves and Issue of Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act, 2013 permits the board of directors of a company to issue fully paid up bonus shares to its members out of (a) the free reserves of the company, (b) the securities premium account, or (c) the capital redemption reserve account. However, a company may capitalize its profits or reserves for issue of fully paid up bonus shares, provided: (a) its authorized by articles, (b) it has been, on the recommendation of the board of directors, approved by the shareholders in a general meeting, (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it, (d) it has not defaulted on payment of statutory dues, (e) there are no partly paid shares. The issue of bonus shares once declared cannot be withdrawn. These bonus shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets, and no bonus shares shall be issued in lieu of dividend. Further, any issue of bonus shares would be subject to ICDR Regulations.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, our Company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. According to Section 62(1) (a) of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date the board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the shareholders of our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

General meetings of shareholders

There are two types of general meetings of the shareholders:

- AGM; and
- EGM.

Our Company is required to hold its AGM within six months after the expiry of each fiscal year provided that not more than 15 months shall elapse between one AGM and next one, unless extended by the RoC at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than one tenth of our Company's issued paid up capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, along with statement containing material facts concerning each special item, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to every member or the legal representative of a deceased member, auditors of the company and every director of the company, at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95% of the shareholders entitled to vote. Unless, the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the Memorandum, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in our Company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to our Company's total paid up capital. Voting is by a show of hands, unless a poll is ordered by the Chairman of the meeting The Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have a right to speak at meetings.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are subject to securities transaction tax (levied on and collected by the stock exchanges on which such equity shares are sold), however are exempt from stamp duty. Our Company has entered into an agreement for such depository services with the NSDL and the CDSL. SEBI requires that our Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the Listing Agreements, in the event our Company has not effected the transfer of shares within one month or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The shares of our Company shall be freely transferable. Under the Listing Agreements, notice of such refusal must be sent to the transferee within one month of the date on which the transfer was lodged with our Company.

Liquidation rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of a winding-up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares or in case of a shortfall, proportionately. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the ordinary shares in proportion to the amount paid up or credited as paid up on such shares, respectively, at the commencement of the winding-up.

TAXATION

STATEMENT OF TAX BENEFITS

Statement of possible tax benefits available to the Company and its shareholders under the applicable laws in India

To,
Board of Directors,
Salra Performance Fibers Limited
304, Arcadia, Nariman Point,
Mumbai – 400 021

Dear Sirs,

Sub: Statement of possible tax benefits available to Sarla Performance Fibers Limited ("the Company") and its shareholders

We refer to the proposed Qualified Institutional Placement (QIP) of the shares of **Sarla Performance Fibers Limited** ("the Company") and enclose the statement showing the current position of tax benefits available to the Company and to its shareholders as per the provisions of the Income Tax Act, 1961 and the Wealth Tax Act, 1957 for inclusion in the Preliminary Placement Document and the Placement Document.

This statement is provided for general information purposes only and each investor is advised to consult its own tax consultant with respect to specific income/wealth tax implications arising out of participation in the issue. Unless otherwise specified, sections referred below are sections of the Income tax Act, 1961 and the Wealth Tax Act, 1957. The benefits set out below are subject to conditions specified therein read with the Income Tax Rules, 1962 and the Wealth Tax Rules, 1957 presently in force.

The benefits outlined in the enclosed statement based on the information and particulars provided by the Company are neither exhaustive nor conclusive.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future;
- the conditions prescribed for availing the benefits have been/would be met with; and
- the revenue authorities/courts will concur with the views expressed herein.

We hereby give our consent to include the enclosed statement regarding tax benefits available to the Company and to its shareholders in the Preliminary Placement Document and the Placement Document for the proposed QIP which the Company intends to submit to the Securities and Exchange Board of India, the Registrar of Companies and the Stock Exchange(s).

Limitations

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of **Sarla Performance Fibers Limited** and shall not, without our prior written consent, be disclosed to any other person.

Yours faithfully,

For Sundarlal Desai & kanodia
Chartered Accountants
(Firm Registration No. 110560W)

H.P. Kanodia
Partner
Membership No. 40617

STATEMENT OF TAX BENEFITS AVAILABLE TO SARLA PERFORMANC FIBRES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

The tax benefits listed below are the possible benefits available under the current direct tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

The Company being a wind power generator, is eligible to following specific tax after fulfilling conditions as per the respective provisions of the relevant tax laws:

The Company is eligible for 100% tax deduction under section 80IA (4)(iv)(a) of the Income Tax Act, 1961 on the profit received from the wind power generator for any ten consecutive years out of fifteen years beginning from the year in which unit is set up and starts generation.

However, the aforesaid deduction is not available while computing Minimum Alternative Tax ('MAT') liability of the Company under Section 115JB of the I.T. Act. Nonetheless, such MAT paid/ payable on the adjusted book profits of the Company computed in terms of the provisions of I.T. Act, read with the Companies Act, 1956 would be eligible for credit against tax liability arising under normal provisions of I.T. Act as per Section 115JAA of the I.T. Act to the extent of the difference between the tax as per normal provisions of the I.T. Act and MAT in the year of set-off. Further, such credit would not be allowed to be carried forward and set off beyond 10th assessment year immediately succeeding the assessment year in which such credit becomes allowable

2. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY

The following benefits are available to the Company after fulfilling conditions as per the respective provisions of the relevant tax laws.

2.1 <u>Dividends exempt under Section 10(34) of the I.T. Act</u>

As per section 10(34) of the I.T. Act, any income by way of dividends referred to in section 115-O from a domestic company is exempt from tax in the hands of the company. Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

Further, in the context of the dividend payable by our Company to its shareholders, by virtue of section 115- O, erstwhile our Company was liable to pay Dividend Distribution Tax ("DDT") at the rate of 15% (plus applicable surcharge and cess) on the total income declared, distributed, or paid as dividend. However, the Finance Bill (No 2), has with effect from October 1, 2014 proposed that the tax on dividends to be distributed by domestic companies to be computed on the grossed up amount of dividend / income by the rate of rate of tax on such dividend, instead of the net amount paid.

In calculating the amount of dividend on which DDT is payable, dividend shall be reduced by dividend received from its subsidiary, subject to fulfilment of certain conditions.

However, in view of the provisions of Section 14A of the I.T. Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the I.T. Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

2.2 Exemption u/s 10(35) of the I.T. Act

As per section 10(35) of the I.T. Act, the following incomes will be exempt in the hands of the Company

a) Income received in respect of the units of a mutual fund specified under clause (23D) of Section 10 of the I.T. Act; or

b) Income received in respect of units from the administrator of the specified undertaking; or

c) Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

However, in view of the provisions of Section 14A of the I.T. Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the I.T. Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

As per section 94(8) of the I.T. Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

2.3 Income from buy back of shares

Exemption u/s 10(34A) of the I.T. Act

As per section 10(34A) of the I.T. Act, any income arising to the Company being a shareholder, on account of buy back of shares (not being listed on a recognized stock exchange) by a company as

referred to in section 115QA of the I.T. Act will be exempt from tax. Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

2.4 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of equity oriented mutual funds or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 36 months. Consequently, capital gains arising on sale of these assets held for more than 36 months are considered as long term capital gains. Capital gains arising on sale of these assets held for 36 months or less are considered as short term capital gains.

Section 48 of the I.T. Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition with the indexed cost of acquisition, which adjusts the cost of acquisition by a cost inflation index as prescribed from time to time.

Long Term Capital Gains / Loss

As per section 112(1)Where the total income of an assessee includes any income, arising from the transfer of a long-term capital asset, which is chargeable under the head "Capital gains", the tax payable by the assessee on the total income shall be the aggregate of,—

(*a*) in the case of an individual or a Hindu undivided family, [being a resident,]—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been his total income ; and

(*ii*) the amount of income-tax calculated on such long-term capital gains at the rate of twenty per cent :

Provided that where the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such long-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate of twenty per cent;

(*b*) in the case of a [domestic] company,—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been its total income ; and

(*ii*) the amount of income-tax calculated on such long-term capital gains at the rate of [twenty] per cent :

[**Provided** that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, **[***being listed securities* [*or unit*]**]** [or zero coupon bond], exceeds ten per cent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

The following second proviso was inserted after the existing proviso to sub-section (1) of section 112 by the Finance (No. 2) Act, 2014, w.e.f. 1-4-2015 :

Provided further *that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being a unit of a Mutual Fund specified under clause (23D) of section 10, during the period beginning on the 1st day of April, 2014 and ending on the 10th day of July, 2014, exceeds ten per cent of the amount of capital gains, before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.*

As per section 70 read with section 74 of the I.T. Act, long-term capital loss, if any arising during the year can be set-off only against long-term capital gain and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed for set off against future long term capital gain. The brought forward long term capital loss can be set off only against future long term capital gains.

Short Term Capital Gains / Loss

As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to Securities Transaction Tax ('STT') shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and higher education cess).

As per section 70 read with section 74 of the I.T. Act, short-term capital loss, if any arising during the year can be set-off against short-term capital gain as well as against the long-term capital gains and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed. The brought forward short term capital loss can be set off against future capital gains.

2.5 Exemption of capital gain from income tax

According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from taxin the hands of the Company. However, the aforesaid long term capital gain will be considered in income while computing MAT liability of the Company under Section 115JB of the I.T. Act.

According to the provisions of section 54EC of the I.T. Act and subject to the conditions and investment limits specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. The total deduction with respect to investment in the long term specified assets is restricted to Rs. 5 million whether invested during the Financial Year in which the asset is transferred or subsequent year.

However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier will be chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

2.6 Depreciation

The Company is entitled to claim depreciation on specified tangible and intangible assets owned and used by it for the purpose of its business as per provisions of section 32 of the I,T. Act. The Company is further entitled to additional depreciation at the rate of 20% of the actual cost of any new plant and machinery(other than ships and aircrafts) and accelerated depreciation at the rate of 80% on Wind Mill subject to the fulfillment of the conditions as prescribed in the Act.

2.7 Carry forward and Set-off of Business loss and unabsorbed depreciation

Business loss (other than speculative loss), if any, arising during a year can be set-off against the income under any other head of income, other than income under the head "salaries" , in terms of the provisions of section 71 of the I.T. Act.

Balance business loss, if any, can be carried forward and set off against business profits for eight subsequent years in terms of the provisions of section 72 of the I.T. Act.

Unabsorbed depreciation under section 32(2) of the I.T. Act can be carried forward and set-off against any source of income in subsequent years subject to provisions of section 72(2) of the I.T. Act.

2.8 Credit of MAT

As per section 115JAA(1A) of the I.T. Act, credit is allowed in respect of tax paid under section 115JB of the I.T. Act for any assessment year commencing on or after April 1, 2006. MAT credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the I.T. Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for upto ten assessment years immediately succeeding the assessment year in which the MAT credit becomes allowable under section 115JAA(1A) of the I.T. Act.

MAT credit can be set off in a year when tax is payable under the normal provisions of the I.T. Act. MAT credit to be allowed for set off shall be the difference between MAT payable and the tax computed as per the normal provisions of the I.T. Act for that assessment year.

2.9 Concessional rate of tax on Dividend from Foreign subsidiaries.

Dividend received by an Indian company from foreign companies, in which it holds not less than 26% of the equity share capital, is taxed at concessional rate of Tax @ 15% under Section 115BBD of the I.T. Act.

2.10 Tax on distributed profits of domestic companies

As per section 115-O of the I.T. Act, tax on distributed profits of domestic companies is chargeable at 15% (plus applicable surcharge, education cess and higher education cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the Financial Year against the dividend distributed by it, while computing the Dividend Distribution Tax (DDT) if:

a) the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

b) the dividend is received from a foreign subsidiary, the Company has paid tax payable under section 115BBD.

However, the same amount of dividend shall not be taken into account for reduction more than once.

2.11 Other Deductions:

A deduction equal to 100% or 50%, as the case may be, of the sums paid as donations to certain specified entities is allowable as per section 80G of the I.T. Act.

A deduction amounting to 100% of any sum contributed to any political party or an electoral trust, otherwise than by way of cash, is allowable under section 80GGB of the I.T. Act while computing total income.

2.12 Other Provisions

a) As per the provisions of Section 35D of the I.T. Act, any specified preliminary expenditure incurred by an Indian company before commencement of business or after commencement of business in connection with extension of an undertaking or setting up a new unit shall be allowed a deduction equivalent to one-fifth of such expenditure for each of the five successive previous years beginning with the previous year in which the business is commenced/ extended. However, any deduction in excess of 5% of cost of project/ capital employed would be ignored.

b) As per the provisions of Section 35DD of the I.T. Act, any expenditure incurred by an Indian Company, wholly and exclusively for the purpose of amalgamation/ demerger of an undertaking shall be allowed as deduction to the extent of one-fifth of such expenditure for each of five successive previous years beginning with the previous year in which the amalgamation/ demerger takes place.

c) As per the provisions of Section 72A of the I.T. Act, pursuant to business re-organisations (such as amalgamation, demerger, etc), the successor company shall be allowed to carry forward any accumulated tax losses/ unabsorbed depreciation of the predecessor company subject to fulfilment of prescribed conditions.

3. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

There are no special tax benefits available to resident as well as Foreign Institutional Investors ("FIIs") shareholders of the Company.

4. GENERAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

4.1 Resident Shareholders

Under Section 10(34) of the I.T. Act, income earned by way of dividend from domestic company referred to in Section 115-O of the I.T. Act is exempt from income-tax in the hands of the shareholders. Accordingly, dividend declared by the Company is exempt in the hands of shareholders.

Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

However, in view of the provisions of Section 14A of the I.T. Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the I.T. Act provides that losses arising from the sale/transfer of shares within a period of three months prior to the record date and sold/transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

Under Section 10(38) of the I.T. Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the Company (i.e. capital asset held for the period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax. However, such long term capital gains of a shareholder being company shall be taken into account in computing tax payable under section 115JB.

In terms of section 36(1)(xv) of the I.T. Act, STT paid in respect of the taxable securities transactions entered into in the course of the business by a shareholder is allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head 'Profit and gains of business or profession'.

As per section 2(42A) of the I.T. Act, shares held in a company will be considered as short term capital asset if the period of holding of such shares is Thirty Six months or less. If the period of holding is more than Thirty Six months, it will be considered as long term capital asset as per section 2(29A) of the I.T. Act. Further, gain/loss arising from the transfer of short term capital asset and long term capital asset is regarded as short term capital gains/loss and long term capital gains/loss respectively.

Section 48 of the I.T. Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

Under Section 54EC of the I.T. Act, capital gain arising from transfer of shares of a company (other than those exempt u/s 10(38) of the I.T. Act) shall be exempt from tax, subject to the conditions and to the extent specified therein subject to maximum of Rs. 5 million, if the capital gain are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by National Highways Authority of India ('HAI') and/or Rural Electrification Corporation Limited ('RECL');

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

Under Section 54F of the I.T. Act, where in the case of an individual or HUF long term capital gain arise from transfer of shares of the a company (other than exempt u/s 10(38) of the I.T. Act) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales

consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

Under section 80CCG of the I.T. Act, a resident individual being a new retail investor will be allowed deduction of 50% of amount invested in listed equity shares or listed units of equity oriented mutual fund in accordance with Rajiv Gandhi Equity Savings Scheme 2013 subject to maximum deduction of Rs. 0.025 million and fulfillment of other conditions as prescribed.

Under Section 111A of the I.T. Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the I.T. Act at 15% (plus applicable surcharge, education cess and higher education cess). As per Section 70 read with Section 74 of the I.T. Act, short-term capital loss, if any arising during the year can be set-off against short-term capital gain as well as against the long-term capital gains and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed.

4.2 Benefits Available to FIIs

Dividends exempt under section 10 (34)

Under section 10(34) of the I.T. Act, income earned by way of dividend (Interim or final) from domestic company referred to in section 115-O of the I.T. Act is exempt from income tax in the hands of the shareholders.
However, in view of the provisions of Section 14A of I.T. Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the I.T. Act provides that losses arising from the sale/transfer of shares purchased within a period of three months prior to the record date and sold/transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

Taxability of capital gains

As per section 2(42A) of the I.T. Act, shares held in a company will be considered as short term capital asset if the period of holding of such shares is Thirty Six months or less. If the period of holding is more than Thirty Six months, it will be considered as long term capital asset as per section 2(29A) of the I.T. Act. Further, gain/loss arising from the transfer of short term capital asset and long term capital asset is regarded as short term capital gains/loss and long term capital gains/loss respectively.

Under section 10(38) of the I.T. Act, long term capital gains arising out of sale of equity shares will be exempt from tax provided that the transaction of sale of such equity shares is chargeable to STT.
The income by way of short term capital gains or long term capital gains (long term capital gains not covered under section 10(38) of the I.T. Act) realized by FII's on sale of the shares of the Company would be taxed at the following rates as per section 115AD of the I.T. Act.

- Short term capital gains, other than those referred to under section 111A of the I.T. Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).

- Short term capital gains, referred to under section 111A of the I.T. Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).

- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the I.T. Act are not applicable.

As per section 196D(2) of the I.T. Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD. Under Section 54EC of the I.T. Act, capital gain arising from transfer of shares of a company (other than those exempt u/s 10(38) of the I.T. Act) shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by National Highways Authority of India (' HAI') and/or Rural Electrification Corporation Limited ('RECL');

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

As per Section 70 read with Section 74 of I.T. Act, short-term capital loss, if any arising during the year can be set-off against short-term capital gain as well as against the long-term capital gains and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed. Further, long-term capital loss, if any arising during the year can be set-off only against long-term capital gain and shall be allowed to be carried forward upto eight assessment years immediately succeeding the assessment year for which the loss was first computed for set off against future long term capital gain. However brought forward long term capital loss can be set off only against future long term capital gains.

Provisions of the I.T. Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the I.T. Act, the provisions of the I.T. Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident, subject to compliance with sub-sections (4) and (5) of section 90 and section 206AA of the I.T. Act.

4.3 Benefits Available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India will be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the I.T. Act.

4.4 Benefit Available to Venture Capital Companies/ Funds

As per the provisions of section 10(23FB) of the I.T. Act, any income of Venture Capital Companies/ Funds from investment in venture capital undertaking registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

4.5 Benefits Available Under The Wealth-Tax Act, 1957 WEALTH-TAX ACT, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, no wealth tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

Notes:

1. All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by the joint holders.

2. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

3. We have not commented on the taxation aspect under any law for the time being in force, as applicable, of any country other than India. Each investor is advised to consult its own tax consultant for taxation in any country other than India.

GENERAL INFORMATION

1. Our Company was incorporated as Sarla Polyester Private Limited on November 23, 1993. The name of our Company was further changed to "Sarla Polyester Limited" pursuant to conversion into a public limited company on November 25, 1993 and later to "Sarla Performance Fibers Limited" on November 6, 2006.
2. Our Company's registered office is situated at registered office at Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli and corporate office is situated at 304, Arcadia, Nariman Point, Mumbai – 400 021.
3. For the main objects of our Company, please refer to the Memorandum. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at our Registered Office between 11 am and 4 pm.
4. Our Company is registered with the RoC with a number CIN: *L31909DN1993PLC0000562596*.
5. The authorised share capital of our Company is Rs. 100 million consisting of 10 million Equity Shares of Rs. 10/- each. The outstanding paid-up equity share capital of our Company was Rs. 69.503 million consisting of 69,50,300 equity shares of Rs. 10 each.
6. The Equity Shares have been listed on the BSE since April 26, 1995 and on the NSE since January 19, 2007, respectively. Our Company was earlier listed with Ahmedabad Stock Exchange Limited and got delisted w.e.f. July 15, 1998
7. This Issue was authorized and approved by the Board on August 1, 2014 and approved by the shareholders in the Annual General Meeting on September 27, 2014.
8. Our Company will file a copy of this Preliminary Placement Document with BSE and NSE, to obtain in-principle approvals from BSE and NSE under Clause 24(a) of the Listing Agreement.
9. Our Company prepared its audited financial information for the Financial Years ended March 31, 2014, March 31, 2013 and March 31, 2012 and notes thereto, as contained herein in conformity with Indian GAAP, except as disclosed in this Preliminary Placement Document.
10. Except as disclosed in this Preliminary Placement Document, there has been no significant change in our financial position since March 31, 2014, the date of our last audited financial results.
11. Our Statutory Auditors, M/s. Sundarlal, Desai & Kanodia, Chartered Accountants have consented to the inclusion of their report in this Preliminary Placement Document, which includes the audited consolidated and standalone financial information for the Financial Years ended March 31, 2014, March 31, 2013 and March 31, 2012.
12. Except as disclosed in this Placement Document, there are no material legal or arbitration proceedings against or affecting our Company or its assets or revenues, nor is our Company aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue .
13. We have obtained all consents, approvals and authorizations required in connection with the Issue.
14. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
15. Our Company and the BRLM accept no responsibility for statements made otherwise than in this Preliminary Placement Document and anyone placing reliance on any other source of information, including our website www.sarlafibers.com, would be doing so at his or her own risk.
16. There have been no defaults by our Company in repayment of statutory dues, debenture and interest thereon, deposits and interest thereon or any loan from any bank or financial institution and interest thereon.
17. The Floor Price for the Issue is Rs.350.54 per Equity Share of face value of Rs.10 each. The Floor Price is calculated in accordance with Chapter VIII of the SEBI (ICDR) Regulations.
18. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board Of Directors
Sarla Performance Fibers Limited
304, Arcadia
Nariman Point, Mumbai- 400 021

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Sarla Performance Fibers Limited (the company) & its Wholly owned subsidiary companies (collectively referred as "group") which comprise the consolidated balance sheet as at March 31, 2014, March 31, 2013 and March 31, 2012, the consolidated statement of profit and loss and consolidated cash flow statement for the year ended March 31, 2014, March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information (hereinafter referred as the consolidated financial statements) annexed to this report, for the purposes of inclusion in the Preliminary Placement Document and the Placement Document prepared by the Company in connection with the proposed qualified institutions placement (the "QIP") of its equity shares (the "Offering") in accordance with provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, as amended from time to time (the "ICDR Regulations") and initialed by us for identification..

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

The Consolidated Financial Statements have been extracted/ reformatted from the audited Consolidated Financial Statements for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 ("the Audited Financial Statements"), which have been adopted by the Board of Directors on May 29, 2014, May 29, 2013 and May 29, 2012 respectively. The above Consolidated Financial Statements have been prepared to reflect the significant accounting policies and notes and other explanatory information adopted by the group as at March 31, 2014

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Our opinion expressed in the aforesaid consolidated financial statement is based on the opinion expressed in the group consolidated financial statements. Accordingly, any event subsequent to the dates as stated in the note

have not been considered / adjusted for the said purpose to the consolidated financial statements. In forming our opinion we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on consideration of the report of other Auditor on the financial statement of step-down subsidiary and results of subsidiary and Joint-ventures as noted below, the consolidated financial statements give the information required by the Companies Act ,1956 n the manner so required and give a true and fair view, ***subject to note no 37 regarding non consideration of financial statement of two joint venture companies situated at Honduras***, in conformity with the accounting principles generally accepted in India:

a. In the case of the consolidated balance sheet, of the state of affairs of the company as at March 31, 2014, March 31, 2013 & March 31, 2012.

b. In the case of the consolidated statement of profit and loss, of the profit for the year ended on that date, and

c. In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Other Matters:

1. Financial statements of Wholly Owned Subsidiary Company M/s Sarla Overseas Holdings Limited which reflects total assets of Rs. 479.45 million as at March 31, 2014, Rs. 334.61 million as at March 31, 2013, Rs. 241.08 million as at March 31, 2012 and total revenue of Rs. 338.32 million as at March 31, 2014, 361.32 million as at March 31, 2013, 275.82 million as at March 31, 2012 for the year then ended have been audited by us.

2. For the Financial Years ended March 31, 2014, 2013 and 2012 we did not audit the financial statements of the following subsidiaries and joint ventures of the company whose financial statements reflect total assets and total revenues for the years ended March 31, 2014, 2013 and 2012 as set forth herein below, whose financial statements were prepared and audited by the statutory auditors of the relevant subsidiary/Joint Ventures, as named herein below, and have been relied upon by us:

Sr. No.	Name of the Company	Subsidiary/ Joint Venture	Financial Year ended	Name of the Auditor preparing financial statements	Total Assets (Rs. in Million)	Total Revenues (Rs. in Million)
1	M/s Sarla Flex Inc., USA	Subsidiary	2014	*	1648.54	91.26
			2013	*	253.40	0.00
			2012	Not Applicable		
2.	M/s Sarla Europe LDA	Step-down subsidiary	2014	*	Rs.16.26 million	Rs.22.85 million
			2013	*	Rs.15.94 million	Rs.15.13 million
			2012	*	Rs.16.47 million	Rs.21.37 million
3.	M/s Sarla Tekstil Sanayi	Joint Venture	2014	*	Rs.18.72 million	Rs. 5.79 million
			2013	*	Rs.22.26million	Rs. 56.62 million
			2012	*	Rs.31.73 million	Rs. 38.96 million

*Unaudited financial statements

3. Our opinion, insofar as it relates to the amounts included in respect of such subsidiaries and a associate is based solely on the report of such other auditors. These unaudited financial statements as approved by Board of Directors of these companies have been furnished to us by the management and our report in so far as it relates to the amounts included in respect of these companies is based solely on such approved unaudited financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard ('AS') 21, 'Consolidated Financial Statements', and AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by The Companies (Accounting Standards) Rules, 2006.

5. We have not qualified our opinion on any matter in our report on the group consolidated financial statements for the years ended March 31, 2014, 2013 and 2012. ***subject to note no 37 regarding non consideration of financial statement of two joint venture companies situated at Honduras for FY 14 & FY 13***.

   This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the documents prepared in connection with the Offering and is not to be used, referred to or distributed for any other purpose, without prior written consent.

SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Mumbai
October 18, 2014

CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Particulars	Note No.	31st March 2014	31st March 2013	31st March 2012
EQUITY AND LIABILITIES:				
(1) Shareholder's Funds				
- Share Capital	1	69.50	69.50	69.50
- Reserves and Surplus	2	1,622.01	1,355.13	1,174.62
		1,691.51	**1,424.64**	**1,244.12**
(2) Non-Current Liabilities				
- Long-Term Borrowings	3	1,290.67	371.08	76.80
- Deferred Tax Liabilities (Net)	4	150.49	139.97	112.26
- Other Non Current Liabilities	5	34.05	36.95	-
		1,475.21	**548.00**	**189.06**
(3) Current Liabilities				
- Short-Term Borrowings	6	742.14	701.11	547.50
- Trade Payables	7	189.32	114.85	219.48
- Other Current Liabilities	8	469.88	227.85	160.18
- Short-Term Provisions	9	65.18	92.43	43.18
		1,466.52	1,136.24	970.33
TOTAL		**4,633.24**	**3,108.87**	**2,403.52**
ASSETS:				
(1) Non-Current Assets				
- Fixed Assets				
(i) Tangible Assets	10	1,961.03	1,021.75	823.26
(ii) Intangible Assets	11	-	-	-
(iii) Capital Work-in-Progress		8.78	265.52	-
- Long Term Loans and Advances	12	69.82	113.52	96.44
- Non-Current Investments	13	548.26	-	-
		-	-	-
		2,587.88	**1,400.78**	**919.70**
(2) Foreign Currency Monetray Item Translation Difference Account		24.67	3.89	-
(3) Current Assets				
- Current Investments	14	-	28.19	14.63
- Inventories	15	708.06	606.99	541.88
- Trade Receivables	16	755.46	583.51	645.28
- Cash and Cash Equivalents	17	368.49	218.44	125.27
- Short-term Loans and Advances	18	150.28	208.56	133.36
- Other Current Assets	19	38.39	58.51	23.40

		2,020.68	**1,704.19**	**1,483.82**
TOTAL		**4,633.24**	**3,108.87**	**2,403.52**
Significant accounting policies and Notes on financial statements	1 to 40			

CONSOLIDATED SUMMARY STATEMENT OF PROFIT AND LOSS

(Rs. In Millions, Except for EPS)

Particulars	**Notes**	**Current Year**	**Previous Year**	**Previous Year**
		31st March 2014	**31st March 2013**	**31st March 2012**
Income:				
Revenue from operations	20	2,713.47	2,665.76	2,279.86
- Less: Excise duty		95.24	78.81	53.38
		2,618.24	2,586.95	2,226.48
Other income	21	107.86	8.14	13.04
		2,726.10	**2,595.08**	**2,239.52**
Expenses:				
Cost of materials consumed	22	1,292.01	1,215.47	1,168.25
Purchase of stock-in-trade		145.43	191.03	170.31
Changes in inventories of finished goods and work-in-progress	23	(58.25)	(30.55)	(127.38)
Employee benefit expenses	24	121.69	52.65	48.60
Finance costs	25	43.77	43.47	29.72
Depreciation and amortization expenses	10 & 11	110.07	82.24	80.45
Other expenses	26	649.97	690.41	634.64
		2,304.69	**2,244.71**	**2,004.60**
Profit before tax		421.40	350.37	234.93
Tax expense:				
- Current tax (MAT)		89.40	52.90	30.80
- Less: MAT Credit		-	8.26	4.28
- Net Current Tax		89.40	44.85	26.58
- Deferred tax		10.51	27.71	20.02
- Tax adjustment of earlier years		-	(1.96)	(0.83)
Profit for the period		321.49	279.78	189.16
Earning per equity share:				
- Basic		46.26	40.25	27.22
- Diluted		46.26	40.25	27.22

CONSOLIDATED SUMMARY OF CASH FLOW STATEMENT

(Rs. In Millions)

Particulars	March 31, 2014		March 31, 2013		March 31, 2012	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
CASH FLOW FROM THE OPERATING ACTIVITIES						
Net Profit Before Tax and Extraordinary items		**421.40**		**350.38**		**234.93**
ADJUSTMENT FOR						
Depreciation	110.07		82.24		80.45	
Interest Paid	68.61		56.94		38.93	
Interest Received	(24.83)		(13.48)		(9.21)	
Capital Gain/Loss on Sale of Investment/Assets	(5.83)		0.05		(3.10)	
Dividend Received	(44.17)	**103.84**	(1.35)	**124.41**	(0.31)	**106.76**
Operating Profit Before Working Capital Changes		**525.25**		**474.79**		**341.69**
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL						
Trade & Other Receivable	(171.95)		61.78		(137.23)	
Inventories	(101.07)		(65.12)		(104.15)	
Loans & Advances	126.64		(153.15)		(68.20)	
Trade & Other Payable	84.63		5.68		(17.13)	
Foreign exchange fluctuation	(20.78)	**(82.53)**	-	**(150.81)**	-	**(326.70)**
Cash Generated From Operations		**442.71**		**323.98**		**14.99**
Prior Period Expenses/Extra Ordinary Items	-		-		(25.49)	
Income Tax Paid	(93.94)		(50.76)		-	
Deferred Tax Liabilities	-	**(93.94)**	-	**(50.76)**	-	**(25.49)**
Net Cash Flow from Operating Activities (1)		**348.77**		**273.22**		**(10.50)**
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets	(800.12)		(546.26)		(117.91)	
Purchase Of Investment	(520.07)		(13.56)		(14.63)	
Dividend Received	44.17		1.35		0.31	
Gain on Sale of Investment/Assets	12.94		0.05		3.10	
Sale of Investment	0		-		9.64	
Interest Received	24.83	**(1,238.24)**	13.48	**(545.04)**	9.21	**(110.29)**
Net Cash Flow from Investing Activities (2)		**(1,238.24)**		**(545.04)**		**(110.29)**
CASH FLOW FROM FINANCING ACTIVITIES						
Preferential Warrants Issued					186.314	
Net Fund Raised/(Repayment)	1,190.0		462.32		(31.28)	

	1					
Dividend Paid	(81.88)		(34.75)		(5.20)	
Dividend Tax Paid	-		(5.64)		(38.93)	
Interest Paid	(68.61)	**1,039.52**	(56.94)	**364.99**	-	**110.92**
Net Cash Raised From Financing Activities (3)		**1,039.52**		**364.99**		**110.92**
Net Changes in Cash & Cash Equivalent (1+2+3)		**150.06**		**93.17**		**(9.88)**
Cash And Cash Equivalent - Opening Balance		**218.44**		**125.27**		**135.14**
Cash And Cash Equivalent - Closing Balance		**368.49**		**218.44**		**125.27**

Note 1: Share Capital

(Rs. In Millions)

	Current Year	**Previous Year**	**Previous Year**
	March 31, 2014	**March 31, 2013**	**March 31, 2012**
AUTHORISED CAPITAL			
1,00,00,000 Equity Shares Of Rs. 10/- Each	**100.00**	**100.00**	**100.00**
ISSUED, SUBSCRIBED AND PAID UP :			
69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each	69.50	69.50	69.50
TOTAL	**69.50**	**69.50**	**69.50**

Terms/ rights attached to Equity Shares:

number of equity shares held by the shareholders.

Reconciliation of Outstanding Shares:

	March 31, 2014	**March 31, 2013**	**March 31, 2012**
	No of shares	**No of shares**	**No of shares**
Opening as on 1st April	6.95	6.95	6.95
Add: Issued during the year			
Less: Forfeited during the year			
Closing as on 31st March	**6.95**	**6.95**	**6.95**

Details of Shareholders Holding More Than 5% of the Total Share Capital:			
Name of the Shareholder	**No. of shares as on 31st March 2014**	**No. of shares as on 31st March 2013**	**No. of shares as on 31st March 2012**
Hindustan Cotton Company - Throurgh its partners	2116479	2116479	2116479
Satidham Industries Private Limited	1269814	1241053	1241053
Sarladevi Jhunjhunwala	388400	388400	388400
Madhusudan Jhunjhunwala (HUF)	406528	326632	-

Note 2 . RESERVES AND SURPLUS:

(Rs. In Millions)

	March 31, 2014	**March 31, 2013**
Capital Reserves		
Balance as per last balance sheet	23.77	22.61
Add: Capital subsidy	-	1.17
	23.77	23.77
General Reserve : -		
Balance as per last balance sheet	377.44	347.44
- Add: Transferred from statement of profit & loss	150.00	30.00
	527.44	377.44
Surplus : -		
Balance as per last balance sheet	954.34	793.21
Add: Profit for the period	321.44	279.78
Add: Excess provison for Dividend distribution tax written back	6.77	-
Less: Appropriations:		
- Transferred to General reserve	150.00	30.00
- Proposed Dividend	52.13	81.88
- Tax on Dividend	8.86	6.77
Closing balance in statement of profit & loss	1,071.56	954.34
Foreign Currency translation reserve	(1.07)	(0.72)
Profit on Consolidation	0.31	0.31
TOTAL	**1,622.01**	**1,355.13**

Note 3. LONG TERM BORROWING

(Rs. In Millions)

	March 31, 2014	March 31, 2013	March 31, 2012
Term Loans:			
Secured Loans - From Banks			
- From Standard Chartered Bank	87.33	138.21	76.02
- Foreign Currency Loan			
(Exclusive charge on wind turbine generator financed and situated at Satara & Sangli Dist. at Maharashtra & exclusive charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director)			
(Total loan of USD 39,00,000)			
(Term loan of USD 2000000 Repayable in 16 equal quarterly installment of USD 1,25,000 each till March 2016)			
(Term loan of USD 1900000 Repayable in 16 equal quarterly installment of USD 1,18,750 each till June 2017)			
- From DBS Bank	106.32	142.49	-
- Foreign Currency Loan			
(Exclusive charge on wind turbine generator financed and situated at Sangli Dist. At Maharashtra & and personal guarantee of managing director)			
(Term loan of USD 3000000 Repayable in 15 equal quarterly installment of USD 2,00,000 each till June 2017)			
- Vehicle Loan	-	-	0.78
(Exclusive charge on vehicle financed)			
' - From CITI BANK NA,USA	206.27	65.13	-
' - From Bank of America	84.50	-	-
(Above loans are secured by stand by letter of credit given by Sarla Performance Fibers Limited)			
Secured Loans - NNMF			
NNMF Sub-CDE XXIII, LLC LOAN "A"	548.26	-	-
NNMF Sub-CDE XXIII, LLC LOAN "B"	225.10	-	-
(Above loans are secured against the Fixed Assets of Sarlafle LLC)			
- Unsecured Loans			
Other loans and advances	32.89	25.23	-
TOTAL	**1,290.67**	**371.08**	**76.80**

NOTE 4			
DEFERRED TAX LIABILITY (NET)			
On account of depreciation	150.49	139.97	112.26
TOTAL	**150.49**	**139.97**	**112.26**
NOTE 5			
OTHER NON CURRENT LIABILITIES			
Creditors for Capital goods	34.05	36.95	-
	34.05	**36.95**	**-**
NOTE 6			
SHORT TERM BORROWING			
Loans Repayable on Demand			
- Secured Loans			
- From Banks:			
- Packing Credit Loan	468.05	470.26	275.49
- Foreign Documentary Bill Purchase/Bill Discounting	204.68	94.41	3.06
- Buyers Credit	2.69	113.93	188.17
- Working Capital Demand Loan	44.21	-	58.28
(All the above working capital facilities are secured against all the current assets (present and future) of the company.			
(These facilities are further secured by first charge on the fixed assets of the company except Wind Turbine Generator).			
(These facilities are further secured by personal guarantee of Managing Director.)			
Unsecured Loans from Related Concerns	22.51	22.51	22.51
TOTAL	**742.14**	**701.11**	**547.50**
NOTE 7			
TRADE PAYABLES			
Trade Payables	189.32	114.85	219.48
TOTAL	**189.32**	**114.85**	**219.48**
NOTE 8			
OTHER CURRENT LIABILITIES			
Current maturities of long-term debts	299.77	70.39	26.83
Unpaid dividend	3.23	2.95	2.35

Other Payables:			
TDS payable	0.01	0.81	1.18
Sales tax payable	0.84	7.98	6.24
Other statutory dues payable	0.73	0.80	0.31
Excise duty payable	13.61	18.57	17.00
Sundry creditors	105.92	80.27	53.40
Advance from customers	5.66	13.96	33.61
Excess cheques drawn	26.30	11.40	6.86
Other liabilities	13.81	20.72	12.38
TOTAL	**469.88**	**227.85**	**160.18**
NOTE 9			
SHORT TERM PROVISIONS			
For Employee benefits:			
- Provision for gratuity (refer note 40)	3.32	2.74	1.86
- Provision for leave encashment	0.24	0.21	0.14
- Provision for bonus	0.63	0.61	0.51
- Salaries and wages payable	-	0.22	0.17
	4.19	**3.78**	**2.67**
For others:			
Provision for dividend	52.13	81.88	34.75
Provision for tax on dividend	8.86	6.77	5.64
Provision for Fringe benefit tax (net)	-	-	0.11
	60.99	**88.65**	**40.50**
TOTAL	**65.18**	**92.43**	**43.18**

NOTE 10 TANGIBLE ASSETS:

(Rs. In Millions)

Particular	GROSS CARRYING AMOUNT			ACCUMULATED DEPRECIATION			NET CARRYING AMOUNT		
	As on 31.03.2014	As on 01.04.2013	As on 01.04.2012	Upto 31.03.2014	Upto 31.03.2013	Upto 31.03.2012	Upto 31.03.2014	As on 31.03.2013	As on 31.03.2012
Land	15.31	9.61	8.16	0.04	0.04	0.04	15.27	9.56	8.12
Factory Building	390.41	214.63	205.24	42.08	34.35	28.19	348.33	180.28	177.05
Plant and Machinery	1,645.69	808.90	762.78	478.75	404.30	350.03	1,166.94	404.60	412.74
Electrical Installations	39.95	39.88	38.39	24.18	21.59	18.76	15.77	18.29	19.62
Office Equipment	4.08	3.23	2.85	1.43	1.19	1.04	2.65	2.03	1.80
Computers	9.57	6.00	5.62	6.35	5.63	5.17	3.22	0.37	0.44
Vehicles	17.00	15.24	12.89	7.35	5.92	4.63	9.65	9.32	8.26
Furniture & Fixture	11.03	9.54	9.12	4.47	4.15	3.87	6.56	5.39	5.25
Wind Turbine Generator	439.41	416.39	198.02	51.36	29.63	13.20	388.05	386.75	184.82
Other Fixed Assets	8.00	8.01	7.63	3.61	3.03	2.65	4.39	4.98	4.98
Total	**2,580.46**	**1,531.42**	**1,250.68**	**619.62**	**509.84**	**427.59**	**1,960.84**	**1,021.58**	**823.08**

NOTE 11 INTANGIBLE ASSETS:

(Rs. In Millions)

Particular	GROSS CARRYING AMOUNT			ACCUMULATED DEPRECIATION			NET CARRYING AMOUNT		
	As on 31.03.2014	As on 01.04.2013	As on 01.04.2012	Upto 31.03.2014	Upto 31.03.2013	Upto 31.03.2012	Upto 31.03.2014	As on 31.03.2013	As on 31.03.2012
Computer Software	0.94	0.92	0.92	0.75	0.75	0.75	0.19	0.17	0.17
Total	**0.94**	**0.92**	**0.92**	**0.75**	**0.75**	**0.75**	**0.19**	**0.17**	**0.17**

NOTE 12

LONG -TERM LOANS AND ADVANCE

(Unsecured, considered good) (Rs. In Millions)

	31st March 2014	31st March 2013	31st March 2012
Capital advances	1.60	1.60	1.81
Security deposits	35.26	33.75	32.52
Other loans and advance	32.95	78.16	45.25
	69.82	**113.52**	**79.59**
NOTE 13			
NON-CURRENT INVESTMENT			
Investment in USBCDC Investment Fund 8, LLC	548.26	-	
	548.26	**-**	
NOTE 14			
CURRENT INVESTMENT			
(Valued at cost or market value, whichever is lower)			
Investment in mutual funds			
HDFC Cash Management Fund - Treasury Advantage Plan - Weekly Dividend - Reinvestment	-	14.19	10.63
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 14,14,460.22 , as on 31.03.2012 units 10,60,488.11 , NAV as on 31.03.2013 Rs. 10.0396, as on 31.03.2012 Rs.10.0396)			
LIC Nomura FMP series - Growth Plan	-	4.00	4.00
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 4,00,000 , as on 31.03.2012 units 4,00,00 , NAV in all the 3 years is Rs. 10.00)			
SBI Magnum Income Plan - Growth	-	10.00	-
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 10,00,000 , as on 31.03.2012 units Nil, NAV in all the 3 years is Rs. 10.00)			
	-	**28.19**	**14.63**
(Aggregate amount of Unquoted investment)	-	28.19	14.63
(Provision made for diminution in value of investment)	-	-	-
NOTE 15			
INVENTORIES			
(As taken, valued and certified by the Management)			

Raw Materials	241.97	215.25	181.27
Work-In -Progress	152.95	121.45	100.46
Finished goods	284.18	257.43	247.86
Stores and Spares	4.78	4.00	5.33
Oil & lubricant	13.41	2.46	1.23
Power & Fuel	0.38	1.09	0.12
Packing Materials	10.38	5.32	5.62
Other Inventories			
	708.06	**606.99**	**541.88**
NOTE 16			
TRADE RECEIVABLE			
(Unsecured, considered good)			
Outstanding for more than 6 months from due date	47.68	57.20	67.42
Outstanding for less than 6 months form due date	707.78	526.31	577.87
	755.46	**583.51**	**645.28**
NOTE 17			
CASH AND BANK BALANCES:			
CASH AND CASH EQUIVALENTS:			
Balance with banks	58.10	49.18	15.05
Cash on hand	1.54	1.24	1.51
	59.64	**50.42**	**16.55**
OTHER BANK BALANCES:			
Balance in unpaid dividend account	3.24	2.95	2.36
Fixed deposits	305.62	165.07	106.36
[Fixed deposits of Rs. 7,46,13,968 as on 31.03.2014(Rs. 5,46,16,622 as on 31.03.2013 & Rs. 5,47,94,289 as on 31.03.2012) pledged as margin money deposit]			
	308.85	**168.01**	**108.72**
	368.49	**218.44**	**125.27**
NOTE 18			
SHORT TERM LOANS AND ADVANCES			
To Others			
Unsecured, considered good	129.43	192.26	120.71
Advance Income Tax (Net of Provisions)	20.84	16.30	12.72
	150.28	**208.56**	**133.36**

NOTE 19			
OTHER CURRENT ASSETS			
Other receivable	17.46	32.94	15.79
Interest receivables	20.93	5.76	7.60
Pre-oprative expenses	-	19.80	-
	38.39	**58.51**	**23.40**
NOTE: 20			
REVENUE FROM OPERATIONS:			
(a) Sale of Products/ Services:			
- Local Sales	866.14	830.60	809.81
- Export Sales	1,267.92	1,240.47	1,001.26
- Deemed Export Sales	76.92	56.40	71.37
- Trading Sales	401.70	482.53	355.00
- Sale of Wind Power	58.26	38.02	30.37
	2,670.95	**2,648.02**	**2,267.79**
(b) Other Operating Revenues:			
- Export benefits	7.37	9.29	6.32
- Export Incentives(Focus License)	32.79	-	-
- Sale of Waste yarn	2.37	1.31	2.17
- Renewable Energy Certificate income	-	7.14	3.58
	42.53	**17.74**	**12.07**
	2,713.47	**2,665.76**	**2,279.86**
NOTE: 21			
OTHER INCOME:			
- Dividend Income on Current investments	0.20	1.35	0.31
- Dividend Income from Subsidiary	43.97	-	-
- Profit on sale of fixed assets	6.43	-	3.10
- Exchange rate difference (Net)	15.55	6.49	(0.44)
- Duty drawback received	7.50	-	9.62
- Miscellaneous Income	29.48	0.30	0.45
- Credit balance written back	4.74	-	-
	107.86	**8.14**	**13.04**
NOTE: 22			
COST OF MATERIALS CONSUMED:			
Inventory at the begnining of the year	215.25	181.29	205.29
Add: Purchase	1,318.73	1,249.43	1,034.84
Add: interunit transfer purchases	296.09	247.06	471.64
	1,830.08	1,677.78	1,711.78
Less: interunit transfer sales	296.09	247.06	471.64

Less: Inventory at the end of the year	241.97	215.25	181.29
Cost of materials consumed	**1,292.01**	**1,215.47**	**1,058.84**
NOTE: 23			
(INCREASE)/ DECREASE IN INVENTORIES:			
Inventories at the end of the year			
Work-in-progress	152.95	121.45	100.46
Finished goods	284.18	257.43	247.86
	437.13	378.88	348.32
Inventories at the beginning of the year			
Work-in-progress	121.45	100.46	63.19
Finished goods	257.43	247.86	157.76
	378.88	348.32	220.95
	-	-	-
	(58.25)	(30.55)	(127.38)
NOTE: 24			
EMPLOYEE BENEFIT EXPENSES:			
Salaries, wages and bonus	97.44	42.15	41.05
Contribution to provident and other funds	17.91	5.21	3.20
Staff welfare expenses	6.34	5.29	4.35
	121.69	**52.65**	**48.60**
NOTE: 25			
FINANCE COSTS:			
Interest expenses	48.46	37.56	21.07
Less: Interest income on bank deposits	24.83	13.48	9.21
Net interest expenses	23.62	24.08	11.86
Bank charges	20.15	19.39	17.86
	43.77	**43.47**	**29.72**
NOTE: 26			
OTHER EXPENSES:			
Manufacturing expenses:			
Consumption of stores and spare parts	30.18	24.16	21.82
Power and fuel	140.22	126.60	117.17
Consumption of packing materials	105.85	93.72	77.30
Consumption of oils and chemicals	38.88	35.87	28.38
Labour charges	105.67	94.25	89.93
Clearing and forwarding charges	32.12	32.22	31.28
Repairs and Maintenance:	-	-	-
- Building	1.58	1.46	1.30

- Machinery	3.82	4.04	3.57
Excise duty expenses (#)	(4.96)	11.07	11.04
Water, waste and effulient treatment charges	4.68	4.81	3.56
Administrative and selling expenses:			
Rent	1.56	4.41	2.59
Repairs and Maintenance - Others	4.43	5.41	3.14
Insurance	5.71	4.15	3.04
Rates and taxes	2.41	1.24	0.57
Director sitting fees	0.08	0.06	0.07
Legal and professional fees	23.06	9.64	6.89
Miscellaneous expenses	54.79	42.84	48.10
Payment to auditor:			
As auditors:			
- Audit fee	1.05	0.93	0.96
- Limited review	0.02	0.02	0.03
In other capacity:			
- Other services (certification fees)	0.02	0.02	0.03
Freight and forwarding charges	72.84	114.13	93.03
Commission on sales	22.82	21.39	22.79
Bad debts written off	1.20	1.70	0.00
Transmission charges	1.36	2.47	1.35
Sales tax assessment dues	-	-	1.69
Duty drawback Written off	-	53.72	-
Exchange difference (Net)	(0.01)	0.02	16.74
Net loss on sale of long term investments	0.60	0.05	48.29
	649.97	**690.41**	**634.64**

NOTE: 27

SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONVENTION: The Accounts are prepared on accrual basis under the historical cost convention except for certain fixed assets which are revalued in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and relevant provisions of the Companies Act, 1956 to the extent applicable.

Consolidated financial statement for the:	**Date approved by the Board of Directors**
Year ended March 31, 2014	May 29, 2014
Year ended March 31, 2013	May 29, 2013
Year ended March 31, 2012	May 29, 2012

PRINCIPLES OF CONSOLIDATION :

The consolidated financial statements relate to Sarla Performance Fibers Limited (‘the Company’) and its subsidiary companies i.e. Sarla Overseas Holdings Limited & Sarlaflex,Inc, USA(Sarlaflex USA was not in existence in the FY 2012). The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements.

b) In case of foreign subsidiary, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.

c) The financial statement of the subsidiary company i.e Sarla Overseas Holdings Limited (consolidated with the Company) includes financial statements of its subsidiary company i.e. step down subsidiary and its interest in joint venture companies. Financial statements of subsidiary company is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements”. Interest in joint venture have been accounted by using proportionate consolidation method as per Accounting Standard (AS) 27 – “Financial Reporting of Interest in Joint Ventures”.

d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as

the Company's separate financial statements.

e) The consolidated financial statement represents those of Sarla Performance Fibers Limited and its wholly owned subsidiary, Sarla Overseas Holdings Ltd., BVI (SOHL) & Sarlaflex, Inc, USA. Financial statements of SOHL includes, Sarla Europe, LDA in which SOHL holds 60% of its Share Capital, Savitex in which SOHL holds 40% of its Share Capital, Sarla Tekstil in which SOHL holds 45% of its Share Capital and MRK SA De C.V. in which SOHL hold 33.33% of its Share Capital. The company SOHL has commercial disputes with its JV partners in joint ventures namely Savitex S.A. De C.V. & MRK S.A. De C.V. , resulting into the matter being referred to the appropriate judicial authority in Honduras. The matter being subjudice, the financial performance of both the JV's are not taken in to consideration while preparing the Consolidated Financial results for the year 2013-14 & 2012-13(but considered in the year 2011-12).

USE OF ESTIMATES:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

FIXED ASSETS :

Fixed Assets including intangible assets are stated at cost net of cenvat / value added tax and includes amount added on revaluation less accumulated depreciation and impairment loss, if any. All Cost is inclusive of Freight, Duties, (net of tax credits as applicable) levies and any directly attributable cost till commencement of commercial production. Adjustments arising from Exchange Rate variations attributable to the Fixed Assets are capitalised.

IMPAIRMENT OF ASSETS:

Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

DEPRECIATION & AMORTISATION:

Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in schedule XIV of the Companies act, 1956 on prorata basis. Fixed Assets are capitalized at cost inclusive of expenses and interest wherever applicable.

Intangible Assets are amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years.

INVESTMENTS:

Noncurrent investments are stated at cost. Provision for diminution in the value of non-current investment is made only if; such a decline is other than temporary in the opinion of management.

Current Investments are carried at lower of cost and fair value.

INVENTORIES:

a) Raw Materials and General Stores are valued at cost or realisable value, whichever is less, excluding Cenvat and VAT credit, by FIFO method.

b) Work in Process is valued at raw-material cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.

c) Finished Goods are valued at cost including estimated overheads or net realisable value, whichever is less. The value includes excise duty paid/payable on such goods.

EXCISE DUTY & CENVAT CREDIT:

Excise Duties wherever recovered are included in Sales and shown separately in financial statement as deduction from sales. Excise duty provision made in respect of finished goods lying at factory premises are shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods. Cenvat credit available on purchases of service / materials / capital goods is accounted by reducing cost of services / materials / capital goods. Cenvat credit availed of is accounted by way of adjustment against excise duty payable on dispatch of finished goods.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

A provision is recognized when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having effect on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

A : Transactions entered into and those settled during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

B : Foreign currency transactions remaining unsettled at the year end and not covered by forward contract are translated at the exchange rates prevailing at the year end.

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

REVENUE RECOGNITION:

A : Sales are recognized, net of returns and trade discounts, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e. inclusive of excise duty. Inter-unit sales/ purchases have been eliminated during the year. In case of export sales, revenue is recognized when the risk and reward on the goods is transferred to the customers.

B : In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectability exists. Export benefits/incentives are accounted on accrual basis.

C : Interest income is recognised on time proportionate method.

D : Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

A : Provision for current taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with Income Tax Act 1961 for the relevant assessment year.

B : Deferred Tax resulting from "timing differences" between book and tax profits is accounted for under the liability method, at the current rate of tax and tax laws that have been enacted or substantively enacted at the Balance Sheet date, to the extent that the timing differences are expected to crystalise, as deferred tax charge / benefit in the Profit and Loss Account and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainity that the assets will be realised in the future.

BORROWING COST:

Borrowing cost that attributes to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to set ready for intended use. All other borrowing cost is charged to revenue.

PROPOSED DIVIDEND:

Dividend proposed by the Board of Directors is provided for in the accounts pending approval at the Annual General Meeting.

NOTE 28:
CONTINGENT LIABILITIES NOT PROVIDED FOR:

A. Contingent Liabilities

1. Letter of credit

Letter of Credit issued by Banks on behalf of the Company for FY 14 Rs. 187.35 million, FY 13. Rs. 111.53 million, FY 12. Rs. 249.33 million these are covered by the Charge created in favour of the Company's Bankers by way of Hypothecation of Stocks, Receivable & Machineries/Assets of the Company.

Stand-by Letter of credit issued by Banks on behalf of Sarlaflex, Inc, WOS OF USD. 8.34 million for FY 14, UDS 3.00 millions for FY 12 equivalent to Rs. 501.39 million for FY 14 &. Rs. 163.01 million for FY 13.

2. Guarantees:

Bank Guarantees issued by Banks on behalf of the company FY 14 Rs. 43.19 million ,FY 13. Rs. 35.99 million, FY 12. Rs. 37.17 million. These are secured by the charge created in favour of the company's bankers by way of pledge of Fixed Deposit Receipts.

3. The claim against Company not acknowledged as debt, comprises of excise duty & Custom duty disputed by company relating to issue of applicability of duty and classification of goods aggregating to Rs. 277.17 million for FY 14, Rs. 232.55 million for the FY 13 & Rs. 220.20 million for FY 12.

4. Bill discounted not matured for FY 14 Rs. 204.69 million, FY 13 Rs. 94.41 million & FY 12 Rs. 200.74 million.

The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

5. CST liability in respect of invoice amount for FY 14 Rs. 214.45 million, FY 13 Rs. 430.49 & FY 12 Rs. 570.52 for which C-Form are yet to be collected from the customers.

B. Liability of Income Tax with respect to which appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04 and appeal pending before CIT (A) amounting to Rs. 0.004 million for A.Y. 2011-12. at the end of the FY 14, appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04 and appeal pending before CIT (A) amounting to Rs. 0.427 million for A.Y. 2010-11 at the end of the FY 13 & appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04, and appeals pending before CIT Appeal for Rs. 0.628 million for A.Y. 2009-10 at the end of the FY 12.

NOTE 29:

The company has exercised option given in Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 issued by ICAI which was notified by MCA regarding accounting of exchange rate difference related to foreign currency loan utilised for acquisition of fixed assets by way of notification no. GSR 225(E) dated 31.03.2009 read with notification no. GSR 913(E) dated 29.12.2011. On exercise of option referred above, foreign exchange loss for FY 14 of Rs. 30.150 million, gain for FY of Rs. 4.627 million & loss for FY 12 of Rs. 12.17 is adjusted in Fixed Assets during the year.

NOTE 30:
DEPRECIATION:

A: The depreciation for the year has been provided on "straight line method "as per Section 205 (2) of the Companies Act, 1956 at the rates prescribed in schedule XIV thereto.

B: Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basic according to the period during which assets are put to use.

C: Intangible assets represent the cost of computer software acquired for internal use, to be amortized equally over five years based upon their estimated useful lives.

NOTE 31:

a) The company has invested USD 4,35,000 equivalent to Rs. 18.32 Million for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.

b) The company has invested USD 1,00,200 equivalent to Rs. 5.49 million in the year ended 31.03.2013 for 100% share being 1,00,200 shares of Sarlaflex, Inc registered at USA. During the year FY14 capital of Sarlaflex, Inc was increased to USD 9,89,000 and the company has further invested USD 8,88,800 equivalent to Rs. 54.16 million for holding 100% shares of Sarlaflex, Inc registered at USA and as a result the said company is also Wholly Owned Subsidiary of the Company.

c) Sarla Overseas Holdings Limited has an investment of USD 840,888 (equivalent to Rs. 38.08 million) for 16,000 shares of Savitex SA De C.V., Hunduras, out of the total capital of 40,000 shares in Savitex SA De C.V. Hunduras, and EURO 3,000 (equivalent to Rs. 0.195 million) for 3 shares in Sarla Europe LDA, Portugal out of total capital of 5 Shares of Sarla Europe LDA and USD 280,000 (equivalent to Rs. 12.68 million) in Sarla Tekstil Sanayi, Turkey towards 45% share capital of the company and USD 100,000 (equivalent to Rs 4.53 millin)ssin MRK SA De C.V. towards 33.33% share capital of the company.

NOTE 32:

Managing Director's remuneration is FY 14 Rs. 6.60 million , FY 13 Rs. 5.40 million, FY 12 Rs. 4.20 million & the whole time Director's remuneration in FY 14 Rs.6.20 million, FY.13 Rs.4.00 million, FY.12 Rs.2.70 million is in accordance with section 198 schedule XIII of the Companies Act, 1956.

NOTE 33:

TAXATION:

Provision for taxation for the current year has been made, taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

In accordance with AS-22 issued by the Institute of Chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax expenses on account of timing difference for FY 14 is Rs. 10.52 million , FY 13 Rs. 27.71 million & FY 12 Rs. 26.91 million which is charged to statement profit and loss account.

NOTE 34:

Company does not have complete information to determine Micro, Small and Medium Enterprises as specified in MIcro, Small and Medium Enterprises Development Act, 2006, hence it is not possible for us to verify the amount due to such enterprises.

NOTE 35:

DERIVATIVE INSTRUMENTS

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

The forward exchange contracts outstanding as at March 31, 2014 are as under:

Sr. No.	Currency Exchange	USD/INR	EURO/INR
1	Number of 'Buy' Contracts	NIL	NIL
2	Aggregate Currency Amount (In Rs. million)	NIL	NIL
3	Number of 'Sell' Contracts	12	17
4	Aggregate Currency Amount (In Rs. million)	114.34	151.94

The forward exchange contracts outstanding as at 31st March, 2013 are as under:

Sr. No.	Currency Exchange	USD/INR
1	Number of 'Buy' Contracts	NIL
2	Aggregate Currency Amount (In Rs. million)	NIL
3	Number of 'Sell' Contracts	12
4	Aggregate Currency Amount (In Rs. million)	65.20

The forward exchange contracts outstanding as at 31st March, 2012 are as under:

Sr. No.	Currency Exchange	USD/INR
1	Number of 'Buy' Contracts	NIL
2	Aggregate Currency Amount (In Rs. million)	NIL
3	Number of 'Sell' Contracts	28
4	Aggregate Currency Amount (In Rs. million)	248.33

NOTE 36:

The company is of the view that there are no indications of material impairment and the carrying amount of its fixed assets or where applicable, the cash generating unit to which these assets belong, do not exceed their recoverable amounts (i.e., the higher of the assets' net selling price and value in use). Hence, no impairment had arisen during the year as per the recommendations of the Accounting Standard – 28 on Impairment of Assets.

NOTE 37:

Sarla Overseas Holdings Limited has commercial disputes with its JV partners in joint ventures namely Savitex S.A. De C.V. & MRK S.A. De C.V., resulting into the matter being referred to the appropriate judicial authority in Honduras. The matter being subjudice, the financial performance of both the JV's are not taken in to consideration while preparing the Consolidated Financial Results for the year 2013-14 & 2012-13.

NOTE 38:

In the opinion of the Management, the Current Assets and Loans and Advances as shown in the books are expected to realise at their Book Value in the normal course of business and adequate provision have been made in respect of all known liabilities.

NOTE 39:

Certain balances under the heads Sundry Debtors, Loans & Advances and Sundry Creditors are subject to confirmations from the respective parties and consequential reconciliation, if any.

NOTE 40:

The company has reclassified/rearranged/regrouped previous year figures to conform to this year's classification.

AS PER OUR ANNEXED REPORT

FOR SUNDARLAL DESAI & KANODIA
CHARTERED ACCOUNTANTS

H. P. KANODIA
PARTNER
MEM. NO. 40617

PLACE: MUMBAI
DATE: October 18, 2014

Independent auditors' report to the members of Sarla Performance Fibers Limited

The Board Of Directors
Sarla Performance Fibers Limited
304, Arcadia
NAriman Point, Mumbai- 400 021

Report on the financial statements

We have audited the accompanying standalone financial statements of Sarla Performance Fibers Limited (the company) which comprise the balance sheet as at March 31, 2014, March 31, 2013 and March 31, 2012, the statement of profit and loss and cash flow statement for the year ended March 31, 2014, March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information (hereinafter referred as the financial statements) annexed to this report, for the purposes of inclusion in the Preliminary Placement Document and the Placement Document prepared by the Company in connection with the proposed qualified institutions placement (the "QIP") of its equity shares (the "Offering") in accordance with provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, as amended from time to time (the "ICDR Regulations") and initialed by us for identification..

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the cmpany in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The Financial Statements have been extracted/ reformatted from the audited Financial Statements for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 ("the Audited Financial Statements"), which have been adopted by the Board of Directors on May 29, 2014, May 29 , 2013 and May 29 , 2012 respectively. The above Financial Statements have been prepared to reflect the significant accounting policies and notes and other explanatory information adopted by the company as at March 31, 2014

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

d. In the case of the balance sheet, of the state of affairs of the company as at March 31, 2014, March 31, 2013 & March 31, 2012.

e. In the case of the statement of profit and loss, of the profit for the year ended on that date, and

f. In the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

    a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

    b. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

    c. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.

    d. In our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect Section 133 of the Companies Act, 2013.

    e. On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Mumbai
18th October, 2014

STANDALONE FINANCIAL STATEMENT

BALANCE SHEET (In Rs. millions)

	Note No.	March 31, 2014	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES:				
(1) Shareholder's Funds				
- Share Capital	1	69.50	69.50	69.50
- Reserves and Surplus	2	1161.19	992.76	846.46
		1230.69	1062.26	915.97
(2) Non-Current Liabilities				
- Long-Term Borrowings	3	193.65	280.71	76.80
- Deferred Tax Liabilities (Net)	4	150.49	139.97	112.26
		344.14	420.68	189.06
(3) Current Liabilities				
- Short-Term Borrowings	5	719.63	678.60	524.99
- Trade Payables	6	86.28	53.66	125.50
- Other Current Liabilities	7	221.18	196.36	147.57
- Short-Term Provisions	8	65.18	52.25	43.18
		1092.27	980.87	841.24
TOTAL		**2667.10**	**2463.81**	**1946.27**
ASSETS:				
(1) Non-Current Assets				
- Fixed Assets				
(i) Tangible Assets	9	1015.10	943.29	742.54

(ii) Intangible Assets	10	0.00	0.00	0.00
(iii) Capital Work-in-Progress		8.78	97.53	0.00
- Non-Current Investments	11	77.97	23.81	18.32
- Long Term Loans and Advances	12	96.61	36.51	79.59
		1198.47	1101.14	840.46
(2) Foreign Currency Monetray Item Translation Difference Account		24.67	3.89	0.00
(3) Current Assets				
- Current Investments	13	0.00	28.19	14.63
- Inventories	14	408.64	455.32	383.05
- Trade Receivables	15	613.57	537.25	476.91
- Cash and Cash Equivalents	16	315.49	206.70	113.98
- Short-term Loans and Advances	17	72.82	97.58	98.81
- Other Current Assets	18	33.43	33.74	18.43
		1443.95	1358.78	1105.81
TOTAL		**2667.10**	**2463.81**	**1946.27**
Significant accounting policies and Notes on financial statements	1 to 47			

STATEMENT OF PROFIT AND LOSS

(In Rs. million)

	Note No.	March 31, 2014	March 31, 2013	March 31, 2012
Income:				
Revenue from operations	19	2555.83	2414.21	1873.95
- Less: Excise duty		95.24	78.81	53.38
		2460.59	2335.40	1820.57
Other income	20	78.39	7.90	12.40
		2538.98	**2343.30**	**1832.97**
Expenses:				
Cost of materials consumed	21	1271.86	1158.50	1011.87
Purchase of stock-in-trade		130.78	117.34	77.01
Changes in inventories of finished goods and work-in-progress	22	24.08	-31.49	-77.39
Employee benefit expenses	23	61.92	49.41	41.75
Finance costs	24	38.89	43.11	26.97
Depreciation and amortization expenses	9 & 10	93.60	80.27	70.42
Other expenses	25	595.29	661.01	527.39
		2216.41	**2078.15**	**1678.00**
Profit before tax		322.57	265.15	154.97
Tax expense:				
- Current tax (MAT)		89.40	52.90	30.80
- Less: MAT Credit		0.00	8.26	4.28
- Net Current Tax		89.40	44.64	26.52
- Deferred tax		10.51	27.71	20.02

- Tax adjustment of earlier years		0.00	-1.96	-0.83
Profit for the period		**222.65**	**194.76**	**109.25**
Earning per equity share:				
- Basic		32.03	28.02	15.72
- Diluted		32.03	28.02	15.72

SUMMARY CASH FLOW STATEMENT

(In Rs. millions)

	31.03.2014		31.03.2013		31.03.2012	
	(Rs.)		(Rs.)		(Rs.)	
CASH FLOW FROM THE OPERATING ACTIVITIES						
Net Profit Before Tax and Extraordinary items		**3,225.67**		**2,651.54**		**1,549.68**
ADJUSTMENT FOR						
Depreciation	935.98		802.72		704.15	
Interest Paid	637.20		565.84		361.74	
Interest Received	(248.31)		(134.76)		(92.05)	
Capital Gain on Sale of Investment/Assets	(58.27)		0.53		(30.97)	
Dividend Received	(441.73)	**824.87**	(13.52)	**1,220.81**	(3.14)	**939.73**
Operating Profit Before Working Capital Changes		**4,050.53**		**3,872.35**		**2,489.41**
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL						
Trade & Other Receivable	(763.27)		(603.42)		(718.53)	
Inventories	466.81		(722.71)		(545.69)	
Loans & Advances	(304.94)		862.34		(157.53)	
Trade & Other Payable	209.44		(718.44)	**(1,182.24)**	(668.30)	**(2,090.04)**
Foreign exchange fluctuation	(207.82)	**(599.77)**	-	**(1,182.24)**		**399.37**
Cash Generated From Operations		**3,450.76**		**2,690.11**	-	
Prior Period Expenses/Extra Ordinary Items	-		-		(254.92)	
Income Tax Paid	(939.39)		(507.60)		-	(254.92)
Deferred Tax Liabilities	-	**(939.39)**	-	**(507.60)**		**144.45**
Net Cash Flow from Operating Activities (1)		**2,511.37**		**2,182.51**		
CASH FLOW FROM INVESTING ACTIVITIES					(898.73)	
Purchase of Fixed Assets	(837.75)		(3,785.47)		(146.32)	
Purchase Of Investment	(259.72)		(190.46)		3.14	
Dividend Received	441.73		13.52		30.97	
Gain on Sale of Investment/Assets			(0.53)		96.41	
Sale of Assets	129.44		-		92.05	(822.48)
Interest Received	248.31	**(277.99)**	134.76	**(3,828.17)**		**(822.48)**
Net Cash Flow from Investing Activities (2)		**(277.99)**		**(3,828.17)**		
CASH FLOW FROM FINANCING ACTIVITIES						
Net Fund Raised/(Repayment)	(91.26)		3,542.58		1,507.95	
Dividend Paid	(417.02)		(347.51)		(312.76)	
Dividend Tax Paid	-		(56.38)		(51.95)	
Interest Paid	(637.20)	**(1,145.48)**	(565.84)	**2,572.84**	(361.74)	**781.50**

Net Cash Raised From Financing Activities (3)		**(1,145.48)**		**2,572.84**		**781.50**
Net Changes in Cash & Cash Equivalent (1+2+3)		**1,087.90**		**927.18**		**103.47**
Cash And Cash Equivalent - Opening Balance		**2,066.99**		**1,139.82**		**1,036.35**
Cash And Cash Equivalent - Closing Balance		**3,154.89**		**2,066.99**		**1,139.82**

Notes :

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's presentations.

Notes to Accounts

(In Rs. millions)

NOTE 1			
SHARE CAPITAL			
	March 31, 2014	**March 31, 2013**	**31, March 2012**
AUTHORISED CAPITAL			
1,00,00,000 Equity Shares Of Rs. 10/- Each	**100.00**	**100.00**	**100.00**
ISSUED, SUBSCRIBED AND PAID UP :			
69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each	69.50	69.50	69.50
TOTAL	**69.50**	**69.50**	**69.50**

Terms/ rights attached to Equity Shares:

The company has only one class of equity shares having par value of Rs. 10. Each holder of equity shares is entitled to one vote per share. The compnay delcares and pays dividend in Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

During the year ended 31st March 2014, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 7.50 (31st March 2013 Rs. 6.00)(31st March 2012 Rs. 5.00)

In the event of liquidation of the company, the holders of the equity shares will be entitled to reecive 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.

Reconciliation of Outstanding Shares:			
	March 31, 2014	**March 31, 2013**	**March 31, 2012**
	No of shares	**No of shares**	**No of shares**
Opening as on 1st April	6.95	6.95	6.95
Add: Issued during the year	0.00	0.00	0.00
Less: Forfeited during the year	0.00	0.00	0.00
Closing as on 31st March	**6.95**	**6.95**	**6.95**

Details of Shareholders Holding More Than 5% of the Total Share Capital:

Name of the Shareholder	**No. of shares as on 31st March 2014**	**No. of shares as on 31st March 2013**	**No. of shares as on 31st March 2012**
Hindustan Cotton Company - Throurgh its partners	2116479	2116479	2116479
Satidham Industries Private Limited	1269814	1241053	1241053
Sarladevi Jhunjhunwala	388400	388400	388400
Madhusudan Jhunjhunwala (HUF)	406528	326632	-

NOTE 2 (In Rs. millions)

RESERVES AND SURPLUS:			
Capital Reserves			
Balance as per last balance sheet	19.41	18.24	18.24
Add: Capital subsidy	0.00	1.17	1.17
	19.41	19.41	19.41

General Reserve : -			
Balance as per last balance sheet	377.44	347.44	317.44
- Add: Transferred from statement of profit & loss	150.00	30.00	30.00
	527.44	377.44	347.44
Surplus : -			
Balance as per last balance sheet	595.91	479.62	440.76
Add: Profit for the period	222.65	194.76	109.25
Add: Excess provison for Dividend distribution tax written back	6.77	0.00	0.00
Less: Appropriations:			
- Transferred to General reserve	150.00	30.00	30.00
- Proposed Dividend	52.13	41.70	34.75
- Tax on Dividend	8.86	6.77	5.64
Closing balance in statement of profit & loss	614.34	595.91	479.62
TOTAL	**1161.19**	**992.76**	**846.46**

NOTE 3			
LONG TERM BORROWING			
	March 31, 2014	**March 31, 2013**	**March 31, 2012**
Term Loans:			
Secured Loans - From Banks			
- **From Standard Chartered Bank**	87.33	138.21	76.02
- Foreign Currency Loan			
(Exclusive charge on wind turbine generator financed and situated at Satara & Sangli Dist. at Maharashtra & exclusive charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director)			

(Total loan of USD 39,00,000)			
(Term loan of USD 2000000 Repayable in 16 equal quarterly installment of USD 1,25,000 each till March 2016)			
(Term loan of USD 1900000 Repayable in 16 equal quarterly installment of USD 1,18,750 each till June 2017)			
- From DBS Bank	106.32	142.49	-
- Foreign Currency Loan			
(Exclusive charge on wind turbine generator financed and situated Sangli Dist. At Maharashtra & and personal guarantee of managing director)			
(Term loan of USD 3000000 Repayable in 15 equal quarterly instalment of USD 2,00,000 each till June 2017)			
TOTAL	**193.65**	**280.71**	**76.80**
NOTE 4			
DEFERRED TAX LIABILITY (NET)			
On account of depreciation	150.49	139.97	112.26
TOTAL	**150.49**	**139.97**	**112.26**
NOTE 5			
SHORT TERM BORROWING			
Loans Repayable on Demand			
- Secured Loans			
- From Banks:			
- Packing Credit Loan	468.05	470.26	275.49
- Post Shipment Credit	-	-	3.06
- Foreign Documentary Bill Purchase/Bill Discounting	204.68	94.41	188.17
- Buyers Credit	2.69	113.93	58.28

- Working Capital Demand Loan	44.21	-	-
(All the above working capital facilities are secured against all the current assets (present and future) of the company.			
(These facilities are further secured by first charge on the fixed assets of the company except Wind Turbine Generator).			
(These facilities are further secured by personal guarantee of Managing Director.)			
TOTAL	**719.63**	**678.60**	**524.99**

(In Rs. millions)

NOTE 6			
TRADE PAYABLES			
	31st March 2014	**31st March 2013**	**31st March 2012**
Trade Payables	86.28	53.66	125.50
TOTAL	**86.28**	**53.66**	**125.50**
NOTE 7			
OTHER CURRENT LIABILITIES			
Current maturities of long-term debts	107.29	70.39	26.83
Unpaid dividend	3.23	2.95	2.35
Other Payables:			
TDS payable	0.00	0.80	1.18
Sales tax payable	0.84	7.68	6.24
Other statutory dues payable	0.26	0.10	0.09
Excise duty payable	13.61	18.57	17.00
Sundry creditors	65.24	70.52	53.40

Advance from customers	5.66	13.96	33.61
Excess cheques drawn	25.05	11.40	6.86
TOTAL	**221.18**	**196.36**	**147.57**
NOTE 8			
SHORT TERM PROVISIONS			
For Employee benefits:			
- Provision for gratuity (refer note 40)	3.32	2.74	1.86
- Provision for leave encashment	0.24	0.21	0.14
- Provision for bonus	0.63	0.61	0.51
- Salaries and wages payable	-	0.22	0.17
	4.19	**3.78**	**2.67**
For others:			
Provision for dividend	52.13	41.70	34.75
Provision for tax on dividend	8.86	6.77	5.64
Provision for Income tax (net)	-	-	0.11
	60.99	**48.47**	**40.50**
TOTAL	**65.18**	**52.25**	**43.18**

NOTE 9
TANGIBLE ASSETS:

(In Rs. million)

Particular	GROSS CARRYING AMOUNT			DEPRECIATION			NET CARRYING AMOUNT		
	As on 31.03.2014	As on 31.03.2013	As on 31.03.2012	Upto 31.03.2014	Upto 31.03.2013	Upto 31.03.2013	As on 31.03.2014	As on 31.03.2013	As on 31.03.2012
Land	9.12	9.12	7.67 .	-	-	-	9.12	9.12	7.67
Factory Building	192.35	186.97	177.58	40.67	34.35	28.19	151.68	152.63	149.39
Plant and Machinery	861.97	726.92	680.52	429.38	369.73	317.43	432.58	357.20	363.09
Electrical Installations	38.59	38.51	37.02	23.08	20.49	17.66	15.50	18.02	19.36
Office Equipment	3.76	3.23	2.85	1.36	1.19	1.04	2.39	2.03	1.80
Computers	6.55	5.98	5.60	6.23	5.63	5.17	0.31	0.35	0.42
Vehicles	14.20	14.32	11.97	6.50	5.15	3.86	7.69	9.17	8.11
Furniture & Fixture	5.23	4.59	4.17	1.83	1.52	1.24	3.40	3.07	2.93
Wind Turbine Generator	439.41	416.39	198.02	51.36	29.63	13.20	388.05	386.75	184.82
Other Fixed Assets	7.81	7.83	7.44	3.45	2.87	2.49	4.36	4.95	4.95
Total	**1,578.97**	**1,413.85**	**1,132.83**	**563.87**	**470.56**	**390.28**	**1,015.10**	**943.29**	**742.54**

NOTE 10
INTANGIBLE ASSETS:

(In Rs. million)

Particular	GROSS CARRYING AMOUNT			DEPRECIATION			NET CARRYING AMOUNT		
	As on 31.03.2014	As on 31.03.2013	As on 31.03.2012	Upto 31.03.2014	Upto 31.03.2013	Upto 31.03.2012	As on 31.03.2014	As on 31.03.2013	As on 31.03.2012
Computer Software	0.75	0.75	0.75	0.75	0.75	0.75	-	-	-
Total	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**-**	**-**	**-**

NOTE 11			
NON -CURRENT INVESTMENT			
(Valued at cost unless otherwise stated)			
	31st March 2014	**31st March 2013**	**31st March 2012**
Trade:			
Investment in equity shares:			
In susidiary companies:			
Sarla Overseas Holdings Limited (4,35,000 Shares of USD 1.00 each)	18.32	18.32	18.32
Sarlaflex Inc USA (FY 14, 9,89,000 Shares of USD 1.00 each, FY 2013 100,200 Shares of USD 1.00 each)	59.65	5.49	-
	77.97	**23.81**	**18.32**
(Aggregate amount of Unquoted investment)	77.97	23.81	18.32
(Provision made for diminution of investment)	-	-	-
NOTE 12			
LONG -TERM LOANS AND ADVANCE			
(Unsecured, considered good)			
Capital advances	1.60	1.60	1.81
Security deposits (#)	35.26	33.75	32.52
Other loans and advance	59.75	1.16	45.25
	96.61	**36.51**	**79.59**
(#) Includes deposit given to concerns in which directors are interested. Refer Note No. 42			
NOTE 13			
CURRENT INVESTMENT			
(Valued at cost or market value, whichever is lower)			

Investment in mutual funds			
HDFC Cash Management Fund - Treasury Advantage Plan - Weekly Dividend - Reinvestment	-	14.19	10.63
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 14,14,460.22 , as on 31.03.2012 units 10,60,488.11 , NAV as on 31.03.2013 Rs. 10.0396, as on 31.03.2012 Rs.10.0396)			
LIC Nomura FMP series - Growth Plan	-	4.00	4.00
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 4,00,000 , as on 31.03.2012 units 4,00,00 , NAV in all the 3 years is Rs. 10.00)			
SBI Magnum Income Plan - Growth	-	10.00	-
(As on 31.03.2014 Units Nil, as on 31.03.2013 units 10,00,000 , as on 31.03.2012 units Nil, NAV in all the 3 years is Rs. 10.00)			
	-	**28.19**	**14.63**
(Aggregate amount of Unquoted investment)	-	28.19	14.63
(Provision made for diminution in value of investment)	-	-	-
NOTE 14			
INVENTORIES			
(As taken, valued and certified by the Management)			
Raw Materials	159.42	185.37	145.16
Work-In -Progress	122.93	117.95	96.96
Finished goods	110.08	139.13	128.63
Stores and Spares	3.50	4.00	5.33
Oil & lubricant	6.09	2.46	1.23
Power & Fuel	0.38	1.09	0.12
Packing Materials	6.24	5.32	5.62
	408.64	**455.32**	**383.05**

NOTE 15			
TRADE RECEIVABLE			
(Unsecured, considered good)			
Outstanding for more than 6 months from due date	47.68	57.20	67.42
Outstanding for less than 6 months form due date	565.89	480.05	409.49
	613.57	**537.25**	**476.91**
(#) Includes Receivable from Subsidiary Company. Refer Note No. 42			
NOTE 16			
CASH AND BANK BALANCES:			
CASH AND CASH EQUIVALENTS:			
Balance with banks	5.50	37.46	3.76
Cash on hand	1.14	1.23	1.50
	6.64	**38.69**	**5.26**
OTHER BANK BALANCES:			
Balance in unpaid dividend account	3.24	2.95	2.36
Fixed deposits	305.62	165.07	106.36
[Fixed deposits of Rs. 5,46,16,622 (P.Y. Rs. 5,47,94,289) pledged as margin money deposit]			
	308.85	**168.01**	**108.72**
	315.49	**206.70**	**113.98**

NOTE 17			
SHORT TERM LOANS AND ADVANCES			
Loans and advances to related parties			
Unsecured, considered good	0.00	-	(0.07)
	-	-	-
	0.00	-	(0.07)
Others			
Unsecured, considered good	51.98	81.28	86.16
Advance Income Tax (Net of Provisions)	20.84	16.30	12.72
	72.82	97.58	98.88
	72.82	**97.58**	**98.81**
NOTE 18			
OTHER CURRENT ASSETS			
Other receivable	12.50	27.98	10.83
Interest receivables	20.93	5.76	7.60
	33.43	**33.74**	**18.43**

NOTE: 19			
REVENUE FROM OPERATIONS:			
	31st March 2014	**31st March 2013**	**31st March 2012**
(a) Sale of Products/ Services:			
- Local Sales	839.65	759.08	570.30
- Export Sales	1,405.23	1,421.76	1,110.67

- Deemed Export Sales	76.92	56.40	71.37
- Trading Sales	133.24	121.21	79.19
- Sale of Wind Power	58.26	38.02	30.37
	2,513.30	**2,396.47**	**1,861.89**
(b) Other Operating Revenues:			
- Export benefits	7.37	9.29	6.32
- Export Incentives(Focus License)	32.79	-	2.17
- Sale of Waste yarn	2.37	1.31	3.58
- Renewable Energy Certificate income	-	7.14	-
	42.53	**17.74**	**12.07**
	2,555.83	**2,414.21**	**1,873.95**
NOTE: 20			
OTHER INCOME:			
- Dividend Income on Current investments	0.20	1.35	0.31
- Dividend Income from Subsidiary	43.97	-	-
- Profit on sale of fixed assets	6.43	-	3.10
- Exchange rate difference (Net)	15.55	6.49	-
- Duty drawback received	7.50	-	9.62
- Miscellaneous Income	0.01	0.06	(0.64)
- Credit balance written back	4.74	-	-
	78.39	**7.90**	**12.40**
NOTE: 21			
COST OF MATERIALS CONSUMED:			

Inventory at the begnining of the year	185.37	145.16	168.79
Add: Purchase	1,245.90	1,198.71	988.24
Add: interunit transfer purchases	296.09	247.06	471.64
	1,727.37	1,590.93	1,628.67
Less: interunit transfer sales	296.09	247.06	471.64
Less: Inventory at the end of the year	159.42	185.37	145.16
Cost of materials consumed	**1,271.86**	**1,158.50**	**1,011.87**
NOTE: 22			
(INCREASE)/ DECREASE IN NVENTORIES:			
Inventories at the end of the year			
Work-in-progress	122.92	117.95	96.96
Finished goods	110.08	139.13	128.63
	233.00	257.08	225.59
Inventories at the beginning of the year			
Work-in-progress	117.95	96.96	58.53
Finished goods	139.13	128.63	89.68
	257.08	225.59	148.20
	24.08	**(31.49)**	**(77.39)**
NOTE: 23			
EMPLOYEE BENEFIT EXPENSES:			
Salaries, wages and bonus	51.19	38.91	34.41
Contribution to provident and other funds	4.39	5.21	3.20

Staff welfare expenses	6.34	5.29	4.14
	61.92	**49.41**	**41.75**
NOTE: 24			
FINANCE COSTS:			
Interest expenses	44.18	37.55	18.51
Less: Interest income on bank deposits	24.83	13.48	9.21
Net interest expenses	19.35	24.08	9.30
Bank charges	19.54	19.03	17.67
	38.89	**43.11**	**26.97**
NOTE: 25			
OTHER EXPENSES:			
Manufacturing expenses:			
Consumption of stores and spare parts	30.18	24.16	21.82
Power and fuel	133.66	126.60	116.39
Consumption of packing materials	94.39	93.72	77.30
Consumption of oils and chemicals	37.48	35.87	28.01
Labour charges	98.48	88.64	77.32
Clearing and forwarding charges	20.29	16.24	18.76
Repairs and Maintenance:			
- Building	1.58	1.46	1.30
- Machinery	3.82	4.04	3.41
Excise duty expenses (#)	(4.96)	11.07	11.04
Water, waste and effulient treatment charges	4.35	4.81	3.56

Administrative and selling expenses:			
Rent	-	4.41	0.83
Repairs and Maintenance - Others	4.43	5.41	3.00
Insurance	2.28	4.15	2.41
Rates and taxes	1.61	1.22	0.53
Director sitting fees	0.08	0.06	0.07
Legal and professional fees	8.23	6.62	4.18
Miscellaneous expenses	54.24	39.36	30.77
Payment to auditor:			
As auditors:			
- Audit fee	0.85	0.75	0.68
- Limited review	0.02	0.02	0.03
In other capacity:			
- Other services (certification fees)	0.02	0.02	0.03
Freight and forwarding charges	72.84	114.13	84.09
Commission on sales	29.49	20.31	22.12
Bad debts written off	-	1.70	0.00
Transmission charges	1.36	2.47	1.35
Sales tax assessment dues	-	-	1.69
Exchange difference (Net)	-	-	16.74
Duty drawback Written off	-	53.72	-
Net loss on sale of long term investments	0.60	0.05	-
	595.29	**661.01**	**527.39**

NOTE: 26

SIGNIFICANT ACCOUNTING POLICIES :

ACCOUNTING CONVENTION:

The Accounts are prepared on accrual basis under the historical cost convention except for certain fixed assets which are revalued in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956. These financial statements have been prepared to comply in all material aspects with the account standards notified under section 211(3C) [Companies (Accounting Standards) Rules 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

Financial statement for the:	**Date approved by the Board of Directors**
Year ended March 31, 2014	May 29, 2014
Year ended March 31, 2013	May 29, 2013
Year ended March 31, 2012	May 29, 2012

USE OF ESTIMATES:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

FIXED ASSETS:

Fixed Assets including intangible assets are stated at cost net of cenvat / value added tax and includes amount added on revaluation less accumulated depreciation and impairment loss, if any. All Cost is inclusive of Freight, Duties, (net of tax credits as applicable) levies and any directly attributable cost till commencement of commercial production. Adjustments arising from Exchange Rate variations attributable to the Fixed Assets are capitalised.

IMPAIRMENT OF ASSETS:

Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable -amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

DEPRECIATION & AMORTISATION:

Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in schedule XIV of the Companies act, 1956 on prorata basis. Fixed Assets are capitalized at cost inclusive of expenses and interest wherever applicable.

Intangible Assets are amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years.

INVESTMENTS:

Non-current investments are stated at cost. Provision for diminution in the value of non current investment is made only if,such a decline is other than temporary in the opinion of management. Current Investments are carried at lower of cost and fair value.

INVENTORIES:

a) Raw Materials and General Stores are valued at cost or realisable value, whichever is less, excluding Cenvat and VAT credit, by FIFO method.

b) Work in Process is valued at raw-material cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.

c) Finished Goods are valued at cost including estimated overheads or net realisable value, whichever is less. The value includes excise duty paid/payable on such goods

EXCISE DUTY & CENVAT CREDIT:

Excise Duties wherever recovered are included in Sales and shown separately in financial statement as deduction from sales. Excise duty provision made in respect of finished goods lying at factory premises are shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods. Cenvat credit available on purchases of service / materials / capital goods is accounted by reducing cost of services / materials / capital goods. Cenvat credit availed of is accounted by way of adjustment against excise duty payable on dispatch of finished goods.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

A provision is recognized when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having effect on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTIONS:

A : Transactions entered into and those settled during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

B : Foreign currency transactions remaining unsettled at the year end and not covered by forward contract are translated at the exchange rates prevailing at the year end.

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

REVENUE RECOGNITION:

A : Sales are recognized, net of returns and trade discounts, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e. inclusive of excise duty. Inter-unit sales/ purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.

B: In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectability exists. Export benefits/incentives are accounted on accrual basis.

C : Interest income is recognised on time proportionate method.

D : Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

A: Provision for current taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with Income Tax Act 1961 for the relevant assessment year.

B : Deferred Tax resulting from "timing differences" between book and tax profits is accounted for under the liability method, at the current rate of tax and tax laws that have been enacted or substantively enacted at the Balance Sheet date, to the extent that the timing differences are expected to crystalise, as deferred tax charge / benefit in the Statement of Profit and Loss and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainity that the assets will be realised in the future.

EMPLOYEE RETIREMENT BENEFITS:

A: Defined Contribution Plans :

The company has defined contribution plan for Post -employment benefits in the form of Provident fund for all eligible employees; which is administered by the Regional Provident Fund Commissioner. Provident Fund is classified as defined contribution plan as the Company has no further obligation beyond making contribution. The Company's contribution to Defined Contribution Plan is charged to the Statement of Profit and Loss as and when incurred.

B: Defined Benefits Plans :

Funded Plan: The company has a Defined Benefits Plan for Post employment benefits in the form of gratuity for all employees and the liability for the defined benefit plan of Gratuity is determined on the basis of actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the Statement of Profit and Loss.

C: Leave Liability (Long Term Employee Benefits) :

The Employees of the company are entitled to leave encashment which is encashed annually as per the leave policy of the company. Liability for compensated absences (Unutilised leave benefit) is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary.

D: Termination Benefit are recognized as an expenses as and when incurred.

E: The actuarial gain and losses arising during the year are recognized in the Statement of Profit and Loss of the year without restoring to any amortization.

BORROWING COST:

Borrowing cost that attributes to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to set ready for intended use. All other borrowing cost are charged to revenue.

PROPOSED DIVIDEND:

Dividend proposed by the Board of Directors is provided for in the accounts pending approval at the Annual General Meeting.

NOTE 27:
CONTINGENT LIABILITIES NOT PROVIDED FOR:

A. Contingent Liabilities

1. **Letter of credit**
   Letter of Credit issued by banks on behalf of the Company for FY 14 Rs. 187.35 million, FY 13. Rs. 111.53 million, FY 12 Rs. 249.33 million these are covered by the Charge created in favour of the Company's Bankers by way of Hypothecation of Stocks, Receivable & Machineries/Assets of the Company.
   Stand-by Letter of credit issued by Banks on behalf of Sarlaflex, Inc, WOS OF USD. 8.34 million for FY 14, UDS 3.00 millions for FY 12 equivalent to Rs. 501.39 million FY 14 &. Rs. 163.10 million for FY 13.

2. **Guarantees:**
   Bank Guarantees issued by Banks on behalf of the company FY 14 Rs. 43.19 million, FY 13. Rs. 35.99 million, FY 12. Rs. 37.17 million. These are secured by the charge created in favour of the company's bankers by way of pledge of Fixed Deposit Receipts.

3. The claim against Company not acknowledged as debt, comprises of excise duty & Custom duty disputed by company relating to issue of applicability of duty and classification of goods aggregating to Rs. 277.17 million for FY 14, Rs. 232.55 million for the FY 13 & Rs. 220.20 million for FY 12.

4. Bill discounted not matured for FY 14 Rs. 204.69 million, FY 13 Rs. 94.41 million & FY 12 Rs. 200.74 million.

   The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

5. CST liability in respect of invoice amount for FY 14 Rs. 214.45 million, FY 13 Rs. 430.49 & FY 12 Rs. 570.52 for which C-Form are yet to be collected from the customers.

6. Liability of Income Tax with respect to which appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04 and appeal pending before CIT (A) amounting to Rs. 0.004 million for A.Y. 2011-12at the end of the FY 14, appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04 and appeal pending before CIT (A) amounting to Rs. 0.427 million for A.Y. 2010-11 at the end of the FY 13 & appeal is pending before ITAT amounting to Rs. 1.317 million for A.Y. 2003-04, and appeals pending before CIT Appeal for Rs. 0.628 million for A.Y. 2009-10 at the end of the FY 12.

NOTE 28:

The company has exercised option given in Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 issued by ICAI which was notified by MCA regarding accounting of exchange rate difference related to foreign currency loan utilised for acquisition of fixed assets by way of notification no. GSR 225(E) dated 31.03.2009 read with notification no. GSR 913(E) dated 29.12.2011. On exercise of option referred above, foreign exchange loss for FY 14 of Rs. 30.15 million, gain for FY 13 of Rs. 4.63 million & loss for FY 12 of Rs. 12.17 is adjusted in Fixed Assets during the year.

NOTE 29:
DEPRECIATION :

A : The depreciation for the year has been provided on "straight line method "as per Section 205 (2) of the Companies Act, 1956 at the rates prescribed in schedule XIV thereto.

B : Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basic according to the period during which assets are put to use.

C : Intangible assets represents the cost of computer software acquired for internal use, to be amortized equally over five years based upon their estimated useful lives.

NOTE 30:

The company has invested USD 4,35,000 equivalent to Rs. 18.32 million for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.

The company has invested USD 1,00,200 equivalent to Rs. 5.49 million in the year ended 31.03.2013 for 100% share being 1,00,200 shares of Sarlaflex, Inc registered at USA. During the year FY 14 capital of Sarlaflex, Inc was increased to USD 9,89,000 and the company has further invested USD 8,88,800 equivalent to Rs. 54.16 million for holding 100% shares of Sarlaflex, Inc registered at USA and as a result the said company is also Wholly Owned Subsidiary of the Company.

NOTE 31:

RAW MATERIALS CONSUMED

(In Rs. Million except %)

	FY 14		FY 13		FY 12	
	Amount	**% of Consumption**	**Amount**	**% of Consumption**	**Amount**	**% of Consumption**
Imported	7,36.37	57.9	5,86.84	50.65	6,55.48	64.78
Indigenous	5,35.49	42.1	5,71.66	49.35	3, 56.39	35.22
Total	**12,71.86**	**100**	**11,58.50**	**100**	**10,11.87**	**100**

NOTE 32:
STORES AND SPARES CONSUMED

(In Rs. million except %)

	FY 14		FY 13		FY 12	
	Amount	**% of Consumption**	**Amount**	**% of Consumption**	**Amount**	**% of Consumption**
Imported	3.52	11.54	1.59	6.56	2.89	13.24
Indigenous	26.66	88.46	22.57	93.44	18.93	86.76
Total	**30.18**	**100**	**24.16**	**100**	**21.82**	**100**

NOTE 33:
C.I.F. VALUE OF IMPORTS

(In Rs. million)

	FY 14	FY 13	FY 12
Capital Goods	4.33	83.25	30.99
Raw Materials	725.42	611.32	615.86
Trading Goods	99.90	115.62	38.89
Stores, packing materials and consumables	35.05	32.90	19.12

NOTE 34:
EXPENDITURE IN FOREIGN CURRENCY

(In Rs. million)

	FY 14	FY 13	FY 12
Travelling	10.25	10.18	4.58

Commission on export sales	13.04	6.70	6.78
Interest	23.86	8.44	7.12

NOTE 35:
EARNINGS IN FOREIGN CURRENCY

(In Rs. million)

	FY 14	**FY 13**	**FY 12**
F.O.B. value of exports	14,84.72	14,92.23	10,39.90

NOTE 36:
Managing Director's remuneration is FY 14 Rs. 6.60 million, FY 13 Rs. 5.40 million, FY Rs. 4.20 million & the whole time Director's remuneration is FY 14 Rs.6.20 million, FY.13 Rs.4.00 million, FY.12 Rs.2.70 million is in accordance with section 198 schedule XIII of the Companies Act, 1956.

NOTE 37:
TAXATION:

Provision for taxation for the current year has been made, taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Provision for taxation for the current year has been made, taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
In accordance with AS-22 issued by the Institute of Chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax expenses on account of timing difference for FY 14 is Rs. 105.15 million, FY 13 Rs. 277.09 million & FY Rs. 269.12 million which is charged to statement profit and loss account.

NOTE 38:
EARNING PER SHARE:

		FY 14	**FY 13**	**FY 12**
a)	Number of shares considered weighted average shares outstanding	69,50,300	69,50,300	69,50,300
b)	Net profit after tax attributable to equity share-holders (Rs. in million)	222.65	194.76	109.25
c)	Basic and diluted earnings per equity share of Rs.10/- each (in Rs.)	32.03	28.02	15.72

NOTE 39:
Company does not have complete information to determine Micro, Small and Medium Enterprises as specified in MIcro, Small and Medium Enterprises Development Act, 2006, hence it is not possible for us to verify the amount due to such enterprises.

NOTE 40:

Disclosure in accordance with Revised AS - 15 on "Employee Benefits

A) Defined Contribution Plans :

The company has recognised the following amounts in the statement of profit and loss for the year

Contribution to Employees' Provident Fund (Employers')	2.73

B) Defined Benefit Plans :

	FY 14	FY 13	FY 12
i) Changes in the present value of Obligations	**Gratuity**	**Gratuity**	**Gratuity**
Present value of Defined Benefit Obligation on 01-04-2013	9.72	7.17	5.57
Interest Cost	0.80	0.63	0.46
Current Service Cost	0.88	0.77	0.58
Benefit Paid during the year	-	(0.38)	(0.35)
Actuarial (Gain)/Loss on Defined Benefit Obligation	0.10	1.54	0.91
Present value of Defined Benefit Obligation	**1.15**	**0.97**	**0.72**
ii) Changes in the Fair Value of Plan Assets			
Fair Value of Plans Assets as on 01-04-2013	6.98	5.31	4.14
Excess Provision	-	-	-
Expected Return on Plan Assets for the year ending 31-3-2014	0.65	0.56	0.43
Contribution made by the employer	0.56	1.49	1.10
Benefit paid during the year	-	(0.38)	(0.35)
Acturial gain (Loss) on plan assets	-	-	-
Fair Value of Plans Assets as on 31-03-2014	**8.19**	**6.98**	**5.31**
iii) Amount to be recognised in the Balance Sheet			
Present Value of the Defined Gratuity Benefits Obligation 31-03-2014	11.51	9.71	7.17
Fair Value of Plans Assets as on 31-03-2014	(8.18)	(6.98)	(5.31)
Liability Recognised in the Balance Sheet	**3.32**	**2.74**	**1.86**
iv) Expenses recognised in the Statement of Profit & Loss			
Current Service Cost	0.88	0.77	0.58
Interest Cost on Obligation	0.80	0.63	0.46
Expected Return on Plan Assets	(0.65)	(0.56)	(0.43)
Actuarial (Gain)/Loss on Defined Benefit Obligation	0.10	1.54	0.91
Expenses recognised in the Statement of Profit & Loss	**1.14**	**2.37**	**1.51**
v) Actual Return on Plan Assets			
Expected Return on Plan Assets	0.65	0.56	0.43
Acturial gain (Loss) on plan assets	-	-	-
Actual Return on Plan Assets	**0.65**	**0.56**	**0.43**
vi) Actuarial Assumptions			
Rate of interest	9.25%	8.25%	8.75%
Salary growth	8.00%	7.50%	7.00%
Withdrawal rate	1.00%	1.00%	1.00%

NOTE 41

SEGMENT REPORTING :

a) Information about Primary Business Segment :

Based on the guiding principles given in the Accounting Standards on Segment Reporting (AS-17) the company is primarily in the business of manufacturing and

processing of synthetic yarn which mainly having similar risk and returns. The Company has diversified its activities into Wind Power Generation, hence the company's

business activity now falls under two business segments, viz. (i) Manufacturing of Yarn and (ii) Generation of Wind Power.

b) Information about Secondary Geographical Segment :

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

c) Information about primary and secondary segments are follows

(In Rs. million)

Particulars	**2013-14**			**2012-13**			**2011-12**		
	In India	**Outside India**	**Total**	**In India**	**Outside India**	**Total**	**In India**	**Outside India**	**Total**
Segment Revenue (Net of excise duty)									
Yarn :									
Manufacturing :	863.86	1,405.23	2,269.09	747.27	1,421.76	2,169.03	596.77	1,110.67	1,707.44
Trading : *	133.24		133.24	121.22		121.22	79.186		79.186
Generation of Wind Power	58.262		58.262	45.158		45.158	33.945		33.945
	1,055.37	**1,405.23**	**2,460.59**	**913.64**	**1,421.76**	**2,335.40**	**709.91**	**1,110.67**	**1,820.57**

Segment Results									
Yarn :									
Manufacturing :			364.56			281.14			158.64
Trading : *			2.46			3.88			2.18
Wind Power			-5.57			23.24			21.12
Less : Finance cost (Unallocable)			38.89			43.11			26.97
Profit before tax			322.57			265.15			154.97
Segment Assets									
Yarn	2,276.87		2,276.87	2,019.19		2,019.19	1,781.79		1,781.79
Generation of Wind Power	390.23		390.23	444.62		444.62	164.48		164.48
Segment Liabilities									
Yarn	1,142.92		1,142.92	921.80		921.80	873.73		873.73
Generation of Wind Power	293.48		293.48	431.28		431.28	156.58		156.58
Capital Expenditure									
Yarn	149.50		149.50	61.209		61.209	89.874		89.874
Generation of Wind Power	30.15		30.15	219.81		219.81	12.17		12.17

* Trading Sales is High Seas trading & Local trading

NOTE 42

RELATED PARTY TRANSACTIONS :

The Company has identified following related parties with whom transactions have taken place during the year:

1) Associates -

M/s Satidham Industries Private Ltd.
M/s Hindustan Cotton Co.

2) Key Management Personnel & their Relatives

Madhusudan Jhunjhunwala - Chairman
Krishna Jhunjhunwala – Managing Director
Neha Jhunjhunwala- Relative

3) Joint Ventures of Subsidiary Company

Savitex SA De C.V., Honduras
MRK SA De C.V., Honduras
Sarla Tekstil Filament Sanayi Ticaret A.S.

4) Subsidiary and step down subsidiary Companies

M/s Sarla Overseas Holding Ltd. - Subsidiary company
M/s SarlaFlex Inc - Subsidiary company
M/s Sarla Europe, Lda - Step down subsidiary company

Details of transactions with above related parties:

(In Rs. million)

	Associates			**Key Management**			**Joint Ventures**			**Subsidiary and step down**		
	Enterprises			**personnel & Relatives**						**subsidiary Co.**		
	FY 14	**FY 13**	**FY 12**	**FY 14**	**FY 13**	**FY 12**	**FY 14**	**FY 13**	**FY 12**	**FY 14**	**FY 13**	**FY 12**
Rent paid	0.05	0.05	0.05	-	-	-	-	-	-	-	-	-
Investment In Shares	-	-	-	-	-	-	-	-	-	77.97	23.81	18.32
Unsecured Loan Given	-	-	-	-	-	-	-	-	-	58.59	-	-
Remuneration	-	-	-	13.5	10.14	8.10	-	-	-	-	-	-
Advance Received	-	-	-	-	-	-	-	-	-	0.43	.07	2.96
Security Deposit	22.5	22.5	22.5	-	-	-	-	-	-	-	-	-
Interest / Commission paid	-	-	-	-	-	-	-	-	-	6.73	3.20	2.80
Sale of Goods	-	-	-	-	-	-	-		15.60	31.18	181.29	109.41
Debtors	-	-	-	-	-	-	1.54	1.54	7.60	120.28	127.20	15.45
Purchase of Machine	-	-	-	-	-	-	-	5.32	-	-	-	-
Dividend Received	-	-	-	-	-	-	-	-	-	43.97	-	-
Sale of Machinery	-	-	-	-	-	-	-	-	-	31.73	100.54	-

Note : Related party relationship is as identified by the company and relied upon by the Auditors.

NOTE 43:

DERIVATIVE INSTRUMENTS

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

The forward exchange contracts outstanding as at 31st March, 2014 are as under:

Sr. No.	Currency Exchange	USD/INR	EURO/INR
1	Number of 'Buy' Contracts	NIL	NIL
2	Aggregate Currency Amount (in Rs. million)	NIL	NIL
3	Number of 'Sell' Contracts	12	17
4	Aggregate Currency Amount (in Rs. million)	114.34	151.94

The forward exchange contracts outstanding as at 31st March, 2013 are as under:

Sr. No.	Currency Exchange	USD/INR
1	Number of 'Buy' Contracts	NIL
2	Aggregate Currency Amount (in Rs. million)	NIL
3	Number of 'Sell' Contracts	12
4	Aggregate Currency Amount (in Rs. million)	65.20

The forward exchange contracts outstanding as at 31st March, 2012 are as under:

Sr. No.	Currency Exchange	USD/INR
1	Number of 'Buy' Contracts	NIL
2	Aggregate Currency Amount (in Rs. million)	NIL
3	Number of 'Sell' Contracts	28
4	Aggregate Currency Amount (in Rs. million)	248.33

NOTE 44:

The company is of the view that there are no indications of material impairment and the carrying amount of its fixed assets or where applicable, the cash generating unit to which these assets belong, do not exceed their recoverable amounts (i.e., the higher of the assets' net selling price and value in use). Hence, no impairment had arisen during the year as per the recommendations of the Accounting Standard – 28 on Impairment of Assets.

NOTE 45:

In the opinion of the Management, the Current Assets and Loans and Advances as shown in the books are expected to realise at their Book Value in the normal course of business and adequate provision have been made in respect of all known liabilities.

NOTE 46:

Certain balances under the heads Sundry Debtors, Loans & Advances and Sundry Creditors are subject to confirmations from the respective parties and consequential reconciliation, if any.

NOTE 47:

The company has reclassified/rearranged/regrouped previous year figures to conform to this year's classification.

Review Report to M/S SARLA PERFORMANCE FIBERS LTD.

We have reviewed the accompanying statement of unaudited standalone and consolidated Financial results of **M/S SARLA PERFORMANCE FIBERS LTD** for the quarter ended 30th June 2014 except for the disclosures regarding 'Public Shareholding ' and 'Promoter and Promoter Group Shareholding ' which have been traced from disclosures made by the Management and have not been audited by us. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors / Committee of Board of Directors. Our responsibility is to issue a report on these financial statements based On our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain Moderate assurance as to whether the financial statements are free of Material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

The financial statements of the subsidiary company M/S Sarla Overseas Holdings Ltd. (SOHL) includes financial statements of its subsidiary company M/S Sarla Europe Lda for the Quarter ended 30th June 2014 which have not been reviewed by us and whose financial Statements reflect turnover of Rs. 57.02 Lacs and net profit after tax of Rs.0.21 Lacs for the Quarter ended 30th June 2014.We have relied on financial statements certified by the Management of this company for the purpose of our Limited Review on the Consolidated Financial Statements. The consolidated results for the quarter ended 30th June 2014 does not include results of Sarla Tekstil Filament Sanayi, Turkey, a joint venture of SOHL as the same Has not been received. Further, SOHL, has commercial dispute with its JV partners in M/S Savitex S.A. De C.V. and M/S MRK S.A. De C.V. resulting into the matter being referred to The appropriate judicial authority in Honduras and the matter being subjudice, the financial Perfomance of the both the JV's are not taken into consideration while preparing Consolidated Finanacial Statements. Hence results of quarter ended 30.06.2014 are not comparable with results of quarter ended 30.06.2013

We draw attention to the matter that depreciation should be provided considering the Useful life of the assets in accordance with Schedule II of the Companied Act,2013, Effective from April 1, 2014. However, the company has provided depreciation on Fixed Assets as per Schedule XIV of the Companied Act, 1956 therefore impact on Depreciation for the quarter due to such change is not quantified.

Based on our review conducted as above, nothing has come to our attention that causes us to Believe that the accompanying statement of unaudited financial results has not been prepared In all material respects in accordance with the applicable. Accounting Standards notified Pursuant to the Companied (Accounting Standards) Rules,2006 as per Section 211 (3C) of The Companies Act.1956 read with General Circular 15/2013 dated September 13, 2013 of The Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and Other recognized accounting practices and policies, and has not disclosed the information Required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner In which it is to be disclosed ,or that it contains any material misstatement.

Place: Mumbai

For : Sundrarlal,Desai & Kanodia

Date: August 1, 2014

Chartered Accountants
Firm Reg. No. – 110560W
Bhupendra S. Gandhi

Partner
Mem. No.122296

SARLA PERFORMANCE FIBERS LTD

CIN : 31909DN1993PLC000056

Regd. Office :- Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 (U.T. of Dadra & Nagar Haveli)

Tel. 0260-3290467, Fax : 0260-2631356, E-mail : Silvassa@sarlafibers.com, Website : www.sarlafibers.com

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2014

(Rs.in million except EPS and Shareholding)

			STANDALONE				CONSOLIDATED	
		PARTICULARS	**Quarter Ended**			**Year Ended**	**Quarter Ended**	**Year Ended**
			30-Jun-14	**31-Mar-14**	**30-Jun-13**	**31-Mar-14**	**30-Jun-14**	**31-Mar-14**
			UNAUDITED	**UNAUDITED**	**UNAUDITED**	**AUDITED**	**UNAUDITED**	**AUDITED**
		Income from Operations:						
1	a)	Net Sales/ Income From Operations (Net of excise duty)	700.15	674.15	563.64	2,460.59	821.26	2,618.24
	b)	Other operating income		-				
		Total Income from operations (net)	**700.15**	**674.15**	**563.64**	**2,460.59**	**821.26**	**2,618.24**
2		**Expenses:**						
	a)	Cost of raw material consumed	329.03	345.26	289.26	1,271.86	365.44	1,292.01
	b)	Purchase of stock in trade	99.16	81.48	9.92	130.78	111.36	145.43

	c)	Changes in inventories of finished goods and work in progress	(5.05)	18.02	4.36	24.08	(17.47)	(58.25)
	d)	Employee benefit expenses	17.74	17.77	13.04	61.92	66.83	121.69
	e)	Depreciation and amortisation expense	25.12	23.46	22.03	93.60	39.83	110.07
	f)	Other expenses	158.81	153.19	127.89	595.30	192.02	649.97
		Total expenses	**624.81**	**639.17**	**466.50**	**2,177.52**	**758.01**	**2,260.92**
3		**Profit from operations before other Income, finance cost and exceptional items(1-2)**	**75.34**	**34.98**	**97.14**	**283.07**	**63.25**	**357.32**
4	a)	Other Operating Income	-	-	-	-	20.09	10.85
	b)	Other Income	9.49	18.84	8.43	78.39	16.30	97.01
5		**Profit from ordinary activities before finance cost and exceptional items (3+4)**	**84.83**	**53.81**	**105.56**	**361.46**	**99.65**	**465.18**
6		Finance costs	6.17	7.47	14.38	38.89	10.23	43.77
7		**Profit from ordinary activities after finance cost but before exceptional items (5-6)**	**78.67**	**46.35**	**91.18**	**322.57**	**89.42**	**421.40**
8		Exceptional items	-	-	-	-	-	-
9		**Profit from ordinary activities before tax (7-8)**	**78.67**	**46.35**	**91.18**	**322.57**	**89.42**	**421.40**

10		Tax Expenses - Current Tax	27.58	14.10	26.40	89.40	27.58	89.40
		- Deferred Tax	(1.48)	2.52	-	10.52	(1.48)	10.52
11		**Profit from ordinary activities after tax (9-10)**	**52.57**	**29.72**	**64.78**	**222.65**	**63.32**	**321.49**
12		Extraordinary Items (Net)	-	-	-		-	
13		**Net Profit for the period (11-12)**	**52.57**	**29.72**	**64.78**	**222.65**	**63.32**	**321.49**
14		Paid-Up Equity Share Capital						
		(Face Value Of Share - Rs.10/-Each)	69.50	69.50	69.50	69.50	69.50	69.50
15		Reserves excluding revaluation reserves				1,161.19		1,622.10
		(As per Balance Sheet of previous accounting year)						
16	A)	Earnings Per Share (EPS)(before extraordinary items)						
		Basic and Diluted	7.56	4.28	9.32	32.03	9.11	46.26
	B)	Earnings Per Share (EPS)(after extraordinary items)						
		Basic and Diluted	7.56	4.28	9.32	32.03	9.11	46.26
17		Public Shareholding						
		Number Of Shares	2,321,868	2,329,021	2,381,344	2,329,021	2,321,868	2,329,021

		Percentage Of Shareholding	33.41%	33.51%	34.26%	33.51%	33.41%	33.51%
18		Promoters And Promoter Group Shareholding						
	A)	Pledged/Encumbered						
		-Number Of Shares	-	-	-	-	-	-
		-Percentage Of Shares(As A % Of The Total						
		Shareholding Of Promoter And Promoter Group)						
		-Percentage Of Shares(As A % Of The Total						
		Share Capital Of The Company)						
	B)	Non-Encumbered						
		-Number Of Shares	4,628,432	4,621,279	4,568,956	4,621,279	4,628,432	4,621,279
		-Percentage Of Shares(As A % Of The Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
		Shareholding Of Promoter And Promoter Group)						
		-Percentage Of Shares(As A % Of The Total Share Capital Of The Company)	66.59%	66.49%	65.74%	66.49%	66.59%	66.49%

NOTES:-

1. The financial results were reviewed by the Audit Committee and approved by the Board of Directors of the company in their meeting held on 1St August, 2014.

2. The Statutory Auditors have carried out a limited review of the results for the quarter ended 30th June, 2014, as required by Clause 41 of the listing agreement.

3. Details of investor complaints - Opening Nil, Received during the quarter - Nil, Resolved - Nil and Closing balance - Nil.

4. The consolidated financial results represents those of Sarla Performance Fibers Limited and its wholly owned subsidiaries, namely Sarlaflex, Inc USA (Unaudited) and Sarla Overseas Holdings Ltd., BVI (SOHL)(Unaudited). The company SOHL has commercial disputes with its JV partners in Savitex S.A. De C.V. & MRK S.A. De C.V. , resulting into the matter being referred to the appropriate judicial authority in Honduras. The matter being subjudice, the financial performance of both the JV's are not taken in to consideration while preparing the Consolidated Financial Results for the quarter ended 30.06.2014 & 30.06.2013 & Financial results of Sarla Tekstil, Turkey have also not been considered as same has not been received. Therefore the figures of current period are not comparable with previous period. All these accounts are considered herein in Indian Currencies.

5. The useful life of the fixed assets has to be determined in accordance with the Schedule II of the Companies Act 2013, effective from April 1,2014 However the company has provided the depreciation as per the Schedule XIV of the Companies Act 1956 & impact in depreciation due to change in useful life could not be quantified.

6. Previous periods figures have been regrouped / reclassified wherever necessary to conform with the current period's presentation.

7. The company's' business activity falls under two business segment- Yarn and Wind Power. Secondary Segment (by geographical demarcation) is as under:

(Amt. in Rs. millions)

Particulars	**Quarter Ended**			**Year Ended**
	30-Jun-14	**31-Mar-14**	**30-Jun-13**	**31-Mar-14**
1. Segment Revenues (Net)	**UNAUDITED**	**UNAUDITED**	**UNAUDITED**	**AUDITED**
(a). YARN	685.09	665.30	549.02	2,402.33
- Within India	326.86	327.38	214.46	997.10
- Outside India	358.23	337.92	334.55	1,405.23

(b). WIND POWER	15.06	8.85	14.62	58.26
Net Sales/Income From Operations	**700.15**	**674.15**	**563.64**	**2,460.59**
2. Segment Results				
(a). YARN	77.72	46.84	97.26	367.03
(b). WIND POWER	7.11	6.98	8.30	(5.57)
Less : Finance cost (Unallocable)	6.17	7.47	14.38	38.89
Total Profit Before Tax	**78.66**	**46.35**	**91.18**	**322.57**
3. Capital Employed				
(a). YARN	1,164.93	1,133.94	1,067.48	1,133.94
(b). WIND POWER	118.32	96.75	59.56	96.75
Total	1,283.26	1,230.69	1,127.04	1,230.69

For Sarla Performance Fibers Limited

Krishnakumar M. Jhunjhunwala
Managing Director

Place : Mumbai.
Dated : 1st August 2014

DECLARATION

The Company certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations and that all approvals and permissions required to carry on the Company's business have been obtained, are currently valid and have been complied with. The Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

_____

MANDHUSUDAN JHUNJHUNWALA
CHAIRMAN AND WHOLE TIME DIRECTOR

Date : October 20, 2014
Place :Mumbai, Maharashtra

DECLARATION

We, the Board of Directors of the Company, certify that:

1. the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

2. the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;

3. the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

_____

Madhusudan Jhunjhunwala
Chairman and Whole Time Director

I am authorized by the Board of Directors of the Company, vide resolution dated September 30, 2014, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoter subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Madhusudan Jhunjhunwala
Date: October 20, 2014
Place: Mumbai, Maharashtra

Sarla Performance Fibers Limited
Registered Office: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli. **Corporate Office:** 304, Arcadia, Nariman Point, Mumbai – 400 021.
Website: www.sarlafibers.com
Compliance Officer and Company Secretary: Mr. Mahendra Sheth Address: 304, Arcadia, Nariman Point, Mumbai – 400 021. Contact No.: 022 228 3416
BOOK RUNNING LEAD MANAGER
Centrum Capital Limited Centrum House, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098. Contact Person: Ms. Aanchal Wagle Contact No: 022 4215 9000
LEGAL COUNSEL TO THE ISSUE
Wadia Ghandy & Company (Ahmedabad) Advocates & Solicitors 1st Floor, Chandan House, Near Mayor's Bunglow, Law Garden, Ahmedabad - 380006. Contact Person: Tanvish Bhatt, Partner
AUDITORS OF OUR COMPANY
M/s. Sundarlal, Desai & Kanodia, Chartered Accountants, 903, 9th Floor, Arcadia Building, 195, NCPA Road, Nariman Point, Mumbai - 400021.