

Work is *Love* made visible



17th ANNUAL REPORT 2009-10



"Work is *Love* made visible"

We dedicate this annual report to our people who have made it so visible that they love their work and it is speaking through the company's consistent performance.

Our theme of this year is chosen from the excerpts of the great Khalil Gibran's immortal writings. It goes so well with the culture and philosophy of our organization since inception and stood out very evidently in the last 2 years of global strife and crisis.

Work is love made visible.

Life is indeed darkness save when there is urge,
And all urge is blind save when there is knowledge,
And all knowledge is vain save when there is work,
And all work is empty save when there is love;

And when you work with love you bind yourself to yourself, and to one another, and to God.

As leaders, it is our job to help people understand the need for passion in what they do. Without that passion, the work becomes a chore, it becomes something that is hard to achieve and it becomes an uphill struggle. However, when we find our ability to love what we do, our work becomes a demonstration of our love; the work is love made visible.

'Work is love made visible' is a frame of mind that centers around what you bring to your work rather than what you take from it. It creates a sense of purpose and desire that raises everything around it. In other words, it improves quality, improves service delivery, increase productivity and of course all of this makes for a profitable business. The difference is the effort comes from within rather than from an external force pushing for improvements.

'Work is love made visible at Sarla Performance Fiber'

We being an exporter the global gloom of last year made it very tough. However, the love for work in our team made it possible not only to survive but very profitably. The work that we did was like a self chosen pain and therefore it did not hurt us but rather healed. The critical work done on processes in our plant and much needed training/orientation to people will become the stepping stone of our success in the next phase. We will emerge bigger, better than our past size and growth largely due to some of the invaluable learning of last 2 years of crisis.



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Board of Directors:

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

Company Secretary:

Manish Agarwal

Audit Committee:

Arun Vaid	Chairman
Madhusudan Jhunjunwala	Member
Sanjay Karandikar	Member

Auditors:

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

Bankers:

Andhra Bank	Citibank
Corporation Bank	DBS Bank
Standard Chartered Bank	

Registered Office:

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

Plants:

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

2) Survey No. 64/2/3/4, 61/2, 62/5, 63/5, 63/7,
Amli Piparia Industrial Estate, Silvassa - 396 230,
U.T. of Dadra & Nagar Haveli

3) Shed No. A1/48, 100 Sheds Area, GIDC,
VAPI - 396 195.

Corporate Office:

304, Arcadia, Nariman Point, Mumbai - 400 021.

Website:

www.sarlafibers.com

Investors services e-mail id:

investors@sarlafibers.com

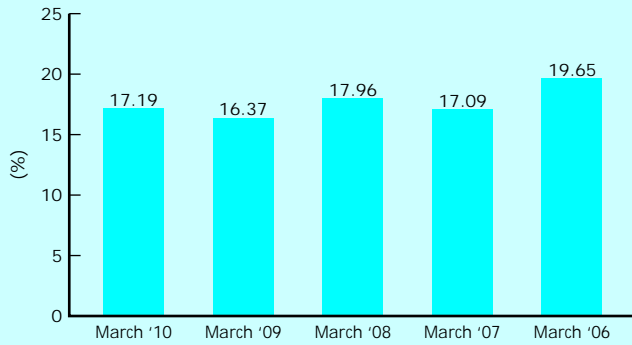
Registrars & Transfer Agents:

M/s. Sharex Dynamic (India) Pvt. Ltd., 17/B,
Dena Bank Building, 2nd Floor, Horniman Circle,
Fort, Mumbai - 400 001.

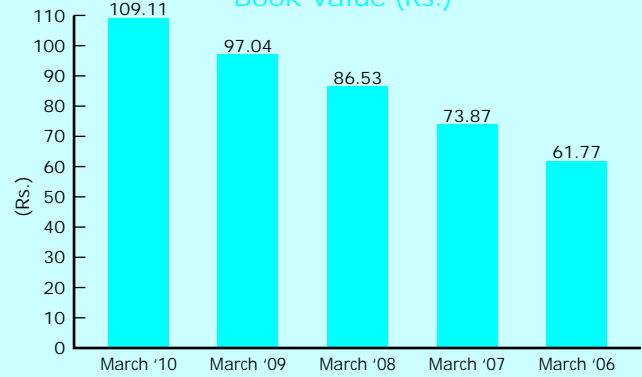


PERFORMANCE AT A GLANCE

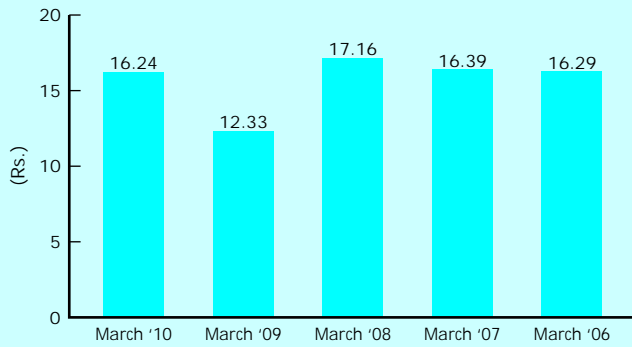
Operating Profit Margin (Excl.O.I.) (%)



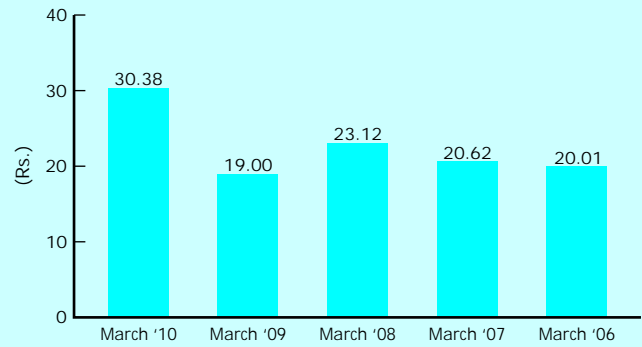
Book Value (Rs.)



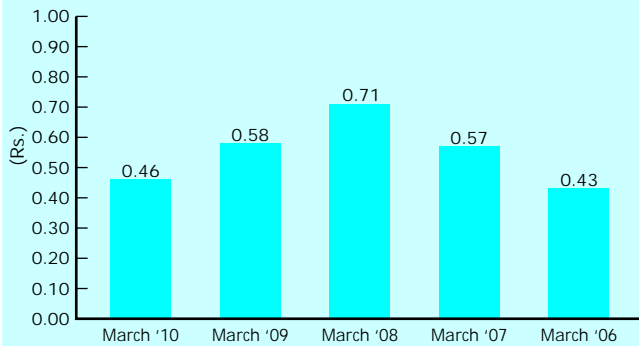
Earning Per Share (Rs.)



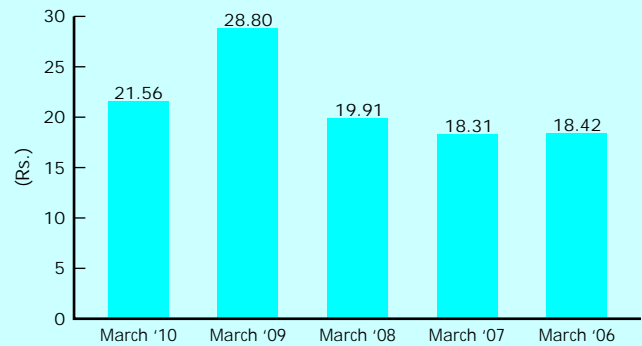
Cash Earning Per Share (Rs.)



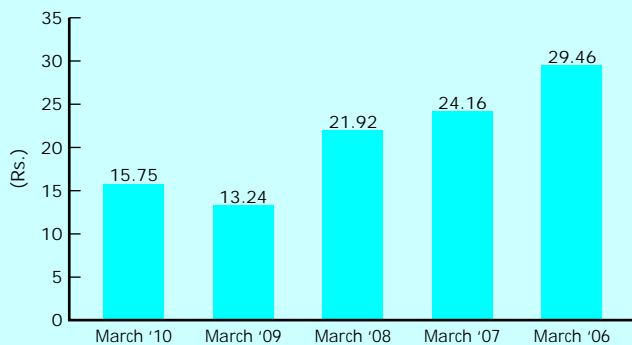
Debt / Equity



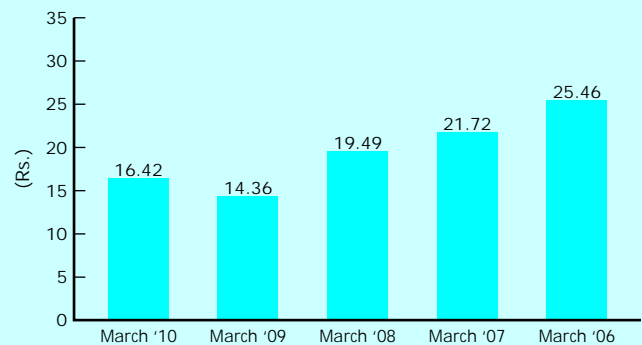
Dividend Payout (%)



Return on Avg. Net Worth (%)



Return on Cap. Employed (%)



FROM THE DESK OF MANAGING DIRECTOR

Dear Shareholders,

Greetings to each one of you and thanks for steadfastly remaining with us in one of the most difficult years since inception. We will soon usher into a new growth phase after the last 2 years of struggle as these years also brought a lot of learning with them. We have used this phase to create new opportunities in core business and the benefit of that will be felt in the form of increased earnings, expansion and dividend.

Let me give you a little back drop from what we laid out as a priority last year. We talked about maintaining sales, keeping tight control over costs and maintaining cash flow. I am happy to inform you that we exceeded these and did some more as well. As we get into the habit of creating positive surprises for ourselves the barriers to growth will come down.

Our outsourcing model for supply of polyester/nylon threads to large garmenting and fashion companies globally has continued to strengthen. As you will see from our performance, even though volumes are down the increase in selling prices helped our profits. The increase in selling prices was a direct result of new value added products, and working closer with large customers.

Another good thing that I must share with you is that our experiment with setting up of JV unit in Honduras – Central America in 2005 has turned into a very profitable decision. Our goal was to work near the customer to customize his needs and source from India so that we can make a reasonable return on our investment. In the pursuit, we have cumulatively earned Rs 10,114.11 millions in revenue and profits of Rs. 884.59 millions over the last 17 years. Return on investment of a whopping 88%! This has given us the confidence to explore and set up similar arrangements in other parts of the world. Some of these will start showing results from current year.

To serve growing needs of some of our large customers we have expanded dyeing house last year which is now much more sophisticated than before. Dyeing is a very critical part of our business and will greatly contribute towards providing

further value addition. Some other investments have gone into new machines and warehousing.

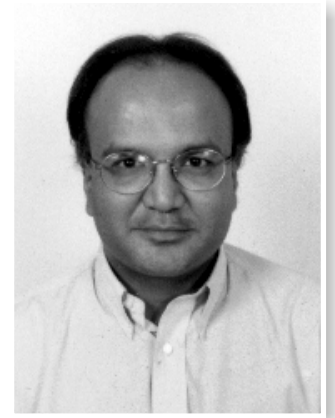
Over the past 5 years our consolidate revenue growth has been 24% and earnings growth 14%. Barring unforeseen situations, we should come back to a more normal growth this year. While our effort is to always reduce dependence on external factors I must caution that we cannot be completely 'decoupled' with the actual situation globally. Compared to past we have emerged better on sales, product mix, cost control and so on. However, a lot more is to be done if we have to work grow with the giants in apparel, inner ware and specialized clothing business. Taking a leaf from the book of very successful pharmaceutical and auto part companies if our outsourcing has to attain scale it will need superior processes. We are taking help of a renowned global consultant to prepare us on this aspect beginning this year.

First time investment in wind power energy was made last year, which is our little contribution to the environment. It also made good sense to us to invest some of the surplus cash flow and secure the power requirements.

With strong earnings and a minimal debt in the Balance Sheet, we have a solid future ahead of us. I share feeling of many of you that we have not been accorded a deserving market value for our good work given the lackluster state of textile sector as a whole. I am sure over the long term shareholder returns will only improve from the present levels because our strong performance and growing size cannot be ignored for too long.

Yours truly,

KRISHNAKUMAR JHUNJHUNWALA.



TECHNOLOGY.
INNOVATIONS.
SOLUTIONS.



DIRECTOR'S REPORT

To,
The Members,

Your Directors have pleasure in presenting their Seventeenth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2010.

Global warming can be traced to 6 families of pollutants – Methane, Carbon Dioxide, Halocarbons, Black Carbon, CO and VOCs, and Nitrous oxide. These gases and black carbon are emitted from many human endeavors, from transportation to farming to heating.

1. FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2009-10	2008-09
Total Income	13,245.18	12,184.37
Profit before Financial Charges and Depreciation	2,345.61	2,012.03
Less: Financial Charges	234.43	299.91
Depreciation	<u>512.52</u>	<u>476.15</u>
Profit before Tax	1,598.67	1,235.97
Less: Provision for Tax	400.00	324.24
Provision for Deferred Tax	70.20	60.76
Provision for Fringe Benefit Tax	0	6.34
Profit after Tax	1128.43	844.63
Prior period Adjustments	0	(12.22)
Balance brought forward	3,292.46	3,044.65
Short Provision of Income Tax of earlier years	5.62	—
Surplus available for appropriation	4,415.27	3,877.06
APPROPRIATION		
Transfer to the General Reserve	300.00	300.00
Dividend @ 35% (P.Y. 35%)	243.26	243.26
Dividend Tax	40.40	41.34
Balance carried forwarded to the Balance Sheet	3,831.60	3,292.46

2. BUSINESS PERFORMANCE

Your directors are pleased to report performance of the Business operations as follows :

- **Operations:** During the year under review the sales of the Company were Rs. 13161.68 Lacs as against Rs. 12,163.75 Lacs in 2008-09 registering an annual growth of 8.20%. The FOB value of exports decreased by 2.54% from Rs. 69,80.04 Lacs to Rs. 68,02.49 Lacs.
- **Profitability:** The profit before Depreciation, Interest & Tax was Rs. 23,45.61 Lacs as compared to Rs. 20,12.03 Lacs in the previous year. After providing for depreciation of Rs.512.52 Lacs (Previous Year Rs. 476.15 lacs) & provision for taxation of Rs.470.24 Lacs (Previous Year Rs. 391.34 lacs), there was a net profit of Rs.1128.43 Lacs as compared to Rs. 844.63 Lacs in the Previous Year.
- **Dividend:** Your Directors have pleasure in recommending dividend @ 35% for the year ended 31st March 2010.

3. MANAGEMENT DISCUSSION & ANALYSIS

This section of the Directors' Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance

approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

DIRECTOR'S REPORT

A. Business Overview:

- Economy:** During the year 2009-10, the Indian economy has grown at the rate of 7.4 per cent and is widely estimated to increase growth rate in the long term. For the next year India's GDP growth estimates vary between 8% to 9.5%. The global slowdown was having a wide ranging impact on consumption and saving habits of people in the developed market in the last 2 years. This situation has slightly improved but the ongoing crisis in Europe and partial recovery in the US will stop the global growth rate well ahead of what it achieved in 2005 to 2007.
- Business Overview:** Sarla Performance Fibers Limited, is one of the well established and niche companies exporting regular as well as high tenacity polyester and nylon yarns. It started its operations 17 years back as a commodity manufacturer of Man Made Fiber. However, in the past seven years, it has successfully transformed the business strategy and implemented a niche business model. It has an installed capacity of 11700 tonnes per annum for manufacturing yarns in Silvassa and 2400 tonnes per annum for a Dyeing unit at Vapi. The company's emphasis has been to focus on niche end user applications, higher value added yarns to leading global apparel brands and companies. While it still manufactures some commodity yarns, the major focus has been in the area of performance fibers. To aid the strategy further, the company has also set up a manufacturing

facility under JV in 2006 in Honduras, Central America. This has enabled the company to tap the North American market, the largest market for performance yarns in the world. With this JV, the company supplies to global textile majors such as Delta, Hanes Brands Inc., Fruit of The Loom, Russell etc.. due to global positioning for supplying of our products. With the signing of the CAFTA treaty major garment and apparel companies (especially North American Companies) are shifting their manufacturing facilities to Central America resulting in this region becoming a fast growing textile manufacturing hub. During the year under review, your company has established partnerships for outsourcing business from Europe.

- Customer Segments and Growth:** The company's customer segments can be divided into three parts.
 1. Innerwear, Narrow Fabrics, Hosiery and Sportswear
 2. Threads
 3. Industrial Yarns

Of the above segments we faced significant reduction in demand for industrial yarn last year. This happened mainly as large garment manufacturers decided to stop inventory creation and instead focused on clearing their stocks. This phase of stock clearance is not yet fully over and some revival in demand could be expected not before early 2010.

(% of Total Sales)

Particulars	FY 2009-10	FY 2008-09
Innerwear, Narrow Fabrics, Hosiery and Sportswear	47.45	41.03
Threads	19.44	36.30
Industrial Yarns	7.77	3.29
Commodities	25.34	19.38
	100.00	100.00

Turnover Break Up (Geographical)

(% of Total Sales)

Region	FY 2009-10	FY 2008-09
South, North & Central America	13.17	14.78
Middle East & Europe	35.63	28.13
Africa	2.51	2.08
Asia Pacific	48.69	55.01
	100.00	100.00

B. Opportunities and Threats:

Unfortunately, there are only threats and weaknesses to highlight for India's textile sector. The opportunities are significant but to realize will require a totally different mindset of government and companies engaged in this sector. The textile sector exports amounted to approximately Rs. 900bn in FY09 at a similar level to that in FY08. The growth in ready made garment exports and man made fibers was yet good while the other segments like cotton and handloom sector suffered badly. To support the sector which is a large employment generator the government has continued to provide incentives such as a) extension of textile up gradation fund (TUF), b) increased budget outlay, c) schemes to promote integrated

textile park in many states, and d) lower interest rates for exporters etc. However, the income tax benefits for exporters will expire with the implementation of new taxation norms in 2011 proposed by the ministry of finance. Most of the textile units in India are small and fragmented and suffer from lack of automation. Due to poor logistics and power supply their cost of production is very high and with these deficiencies one cannot expect this sector to achieve economies of scale like it has in China. Also, the emphasis on value addition is missing. There is no additional benefit to those who are focusing on value added production. Thus, structurally the sector will continue to suffer until these gaps are addressed. Textile sector certainly cannot expect to become software sector in the near to medium term.

DIRECTOR'S REPORT

C. Outlook:

Despite the textile industry's continuing woes, your company has built significant capabilities and will look to find suitable opportunities for growth. The desire is to grow much faster than compared to past. Our pursuit for tackling cost efficiencies, quality enhancement will enable greater growth in future on organic basis. Also, we will look for growth beyond Indian boundaries by setting up new manufacturing facilities. We have talked about a 20% plus

growth on an annual basis in the past but situations like last 2 years have been extraordinary which forced us to give priority to risk management. We have not taken sights off that target and will get to that benchmark with little support from the environment.

D. Financial Performance:

Turnover: The company turnover grew by 0.62% per cent in FY 09-10 (excluding trading sales). This is despite decrease in volume by 7.39%.

Item	2009-10	2008-09	% Increase
Raw Material Cost	6,852.52	6,678.54	2.61
Expenditure	3,944.01	3,785.86	4.18
EBIDTA	2,345.61	2,012.03	16.58
Interest Cost and Debt	234.43	299.91	(21.83)
Fixed Assets (Gross Block)	8,571.84	7,256.42	18.13
Net Current Assets	5,570.89	5,781.39	(3.64)
Working Capital Finance	2,917.38	3,695.45	(21.05)
Cash & Bank Balances	759.51	963.14	(21.14)

Note: standalone performance comparison.

E. Risks and Concerns:

Interest Rates: The company's average gross interest cost in the year 2009-10 was 7.73% as compared to the previous year 8.80%. The company's present Debt equity Ratio is 0.46. The long term Debt equity Ratio is zero. Interest costs and debts are being managed in the most effective manner. A rising interest rates scenario will not be a threat, at present because the company's strategy is to grow from internal accruals.

Exchange Rate: 54 per cent of company revenue is in foreign currency (USD/EURO/GBP) and balance revenue in Indian Rupee. Also, we import 40 per cent of total turnover, i.e. including trading sales (89.29% of total raw material purchases) creating a natural hedge to that extent. Apart from this, from time to time forward cover is taken to hedge exposure in foreign currency.

Inflation: The company does not sell to retail customers. Its sales are to the business segment and hence it has been able to pass on inflationary pressures. It does not expect any major impact due to current high level of inflation.

Competition: The company strives to be one step ahead of the competition. This is accomplished by being a vertically integrated in almost all the segments of our business. This not only gives a cost advantage against the competition but also allows for better quality control and service to supply the special needs of the customer. While serving various global customers in the industrial yarns, covered yarns and other special applications we have made several process innovations and that provides us with a competitive advantage. We remain confident that by using this innovative methods and experience,

we will continue to sustain this competitiveness in time to come. More importantly, over the past 5 years we have invested Rs. 39.95 cr in new machinery and other infrastructure in line with increasing expectations of customers.

F. Internal Control System and Their Adequacy:

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

G. Human Resources/Industrial Relations:

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

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

H. Capital Expansion and Investment:

Last year, we did not incur any major capital expenditure as the utilization of present capacities remained below 70%. We do not expect to incur major capital expenditure in the current year as well.

DIRECTOR'S REPORT

I. Performance Analysis

Item	2009-10	2008-09	2007-08	2006-07	2005-06
A. Operational Performance (%)					
Operating Profit Margin (Incl. O.I.)	17.82	16.54	18.77	19.53	20.48
Interest / Sales	1.78	2.47	1.69	1.61	1.38
Tax/PBT	29.41	31.66	19.42	23.14	20.11
Net Profit Margin	8.57	6.94	10.97	11.48	12.91
B. Financial Performance					
Debt / Equity (x)	0.46	0.58	0.71	0.57	0.43
Interest Coverage (x)	10.01	6.71	11.10	12.17	15.02
Average Cost Of Debt (%)	6.34	7.36	5.24	6.63	6.73
Debtors Period (days)	95.87	108.55	112.76	90.77	97.57
Closing stock (days)	65.40	69.15	71.12	61.37	60.17
Inventory Turnover Ratio (x)	5.58	5.28	5.13	5.95	6.07
Fixed Assets Turnover (x)	2.23	2.39	2.24	2.80	2.59
Net Current Assets Turnover (x)	2.36	2.10	2.07	2.28	3.00
C. Valuation Parameters					
Earnings Per Share (Rs.)	16.24	12.33	17.16	16.39	16.29
Cash Earnings Per Share (Rs.)	30.38	19.00	23.12	20.62	20.01
Dividend Per Share (Rs.)	3.50	3.50	3.50	3.00	3.00
Dividend Payout (%)	21.56	28.80	19.91	18.31	18.42
Profit Ploughback (%)	78.44	71.20	80.09	81.69	81.58
Book Value (Rs.)	109.11	97.04	86.53	73.87	61.77
Return on Avg. Net Worth (%)	15.75	13.24	21.92	24.16	29.46
Return on Avg. Cap. Employed (%)	16.42	14.36	19.49	21.72	25.46

J. Value Added Statement

(Rs. in Lacs)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Income from Production / Operations	13,058.64	12,455.81	11,150.33	9,865.85	8,980.10
Add: Other Income	83.50	20.63	89.36	144.25	90.34
Corporate Output	13,142.14	12,476.43	11,239.68	10,010.10	9,070.44
Less: Cost of Raw Materials Consumed	5,843.62	6,533.40	5,826.27	5,508.23	4,909.69
Less: Cost of Traded Goods	1,008.90	145.15	201.01	—	70.73
Less: Other Manufacturing Expenses	2,586.20	2,479.36	2,086.49	1,837.75	1,635.24
Less: Administrative & Other Expenses	1,109.35	1,093.37	843.74	605.10	557.50
Equals Gross Value Added	2,594.08	2,225.15	2,282.18	2,059.02	1,897.28
Less: Depreciation & Amortisation	512.52	476.15	384.91	294.48	259.02
Less: Extra Ordinary / Prior Period Items	5.62	12.22	73.22	59.34	(6.96)
Equals Net Value Added	2,075.94	1,736.78	1,824.05	1,705.20	1,645.22
Allocation of Net Value Added					
To Personnel	248.46	213.12	162.91	123.85	101.94
To Taxes (including tax on proposed dividend)	510.65	432.68	335.95	372.74	314.09
To Creditors (via interest)	234.43	299.91	188.21	159.68	119.53
To Investors (via dividend)	243.26	243.26	243.26	208.51	208.51
To The Company (via retained earnings)	839.15	547.81	893.72	840.42	901.15
	2,075.94	1,736.78	1,824.05	1,705.20	1,645.22

DIRECTOR'S REPORT

4. SUBSIDIARY COMPANY

Sarla Overseas Holdings Limited

The company had floated a 100% wholly owned subsidiary namely Sarla Overseas Holdings Limited, registered under The BVI Business Companies Act, 2004, British Virgin Islands during the year 2006-07. The parent company M/s Sarla Performance Fibers Limited has invested in the capital of M/s Sarla Overseas Holding Limited, a total of US\$ 4,35,000 equivalent to Rs. 183.22 Lacs. The Subsidiary Company is holding 40% stake in M/s Savitex, SA De CV, a Joint Venture and is holding 60% share in Sarla Europe which has started the operations in the year 2009-10.

The Joint Venture M/s Savitex, SA De CV has made a total turnover of Rs. 3,223.50 Lacs and earned a total net profit of Rs. 670.51 Lacs after depreciation in the financial year 2009-10. This joint venture of the company has established a strong presence in the growing market of Central America, the biggest market for high tenacity nylon and polyester products in the world.

The Consolidated Income from Operations and consolidated net Profit (after share of loss in associate company) of M/s Sarla Overseas Holding Limited including its share of Joint Venture in M/s Savitex, SA De CV and the Share of loss in Sarla Europe, a subsidiary of Sarla Overseas Holdings Limited, were Rs. 2370.54 Lacs and Rs. 585.15 Lacs respectively in the financial year 2009-10. Local Laws do not have mandatory requirement of the Audit of the Accounts of Joint Venture Company but the company has employed external auditor to give true and fair picture of the Accounts.

5. FIXED DEPOSIT

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

6. PERSONNEL

Particulars of employees within the meaning of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, employee who was in receipt of remuneration prescribed under the said Rules, as per annexure "A".

7. AUDITORS & AUDITORS REPORT

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

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

8. CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with Stock Exchanges, Corporate Governance Report is attached as Annexure A to this Report. Certificate of Auditors regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges is also attached and forms part of this Report.

9. DIRECTORS' RESPONSIBILITY STATEMENT

A Directors' Responsibility Statement as required Under Section 217(2AA) of the Companies Act 1956 is given below:-

i. Directors have followed the applicable Accounting Standards in the preparation of the Annual Accounts and proper explanation relating to material departures have been given in Schedule 20 of Notes on Accounts forming part of the accompanying Accounts

ii. Directors have selected the Accounting Policies as given in Schedule 20 of Notes on Accounts and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the company as at 31st March, 2010 and of the profits of the company for the year ended on that date.

iii. Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the Assets of the company and for preventing and detecting fraud and other irregularities.

iv. Directors have prepared the Annual Accounts for the year ended 31st March, 2010 on a Going Concern basis.

10. CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit and Loss Account, it may be observed that the net profit after tax (before share of loss in associate company and prior period expenses) stands at Rs. 1691.64 Lacs.

11. SUBSIDIARY

As required under the provisions of Section 212 of the Companies Act, 1956, the accounts together with Directors' Report of the subsidiary company namely Sarla Overseas Holdings Limited., made out in accordance with the requirements of the Companies Act, 1956, are appended to and form part of the Annual Report.

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