

CHANGE  
THE WAY WE CHANGE



## TRULY, CHANGE HAS CHANGED.

We are surrounded by all sorts of things that are changing at an exponential pace: the number of mobile phones in the world, CO2 emissions, data storage; the power of semiconductor chips, the number of devices connected to the internet, the number of genes that have been sequenced, world energy consumption, and knowledge itself.

We live in a world that seems to be all punctuations and no equilibrium, where the future is less and less an extrapolation of the past. Change is multifaceted, relentless, seditious, and occasionally shocking. In this maelstrom, long-lived political dynasties, venerable institutions, and hundred-year-old business models are all at risk.

Today, the most important question for any organization is this:

## ARE WE CHANGING AS FAST AS THE WORLD AROUND US ?

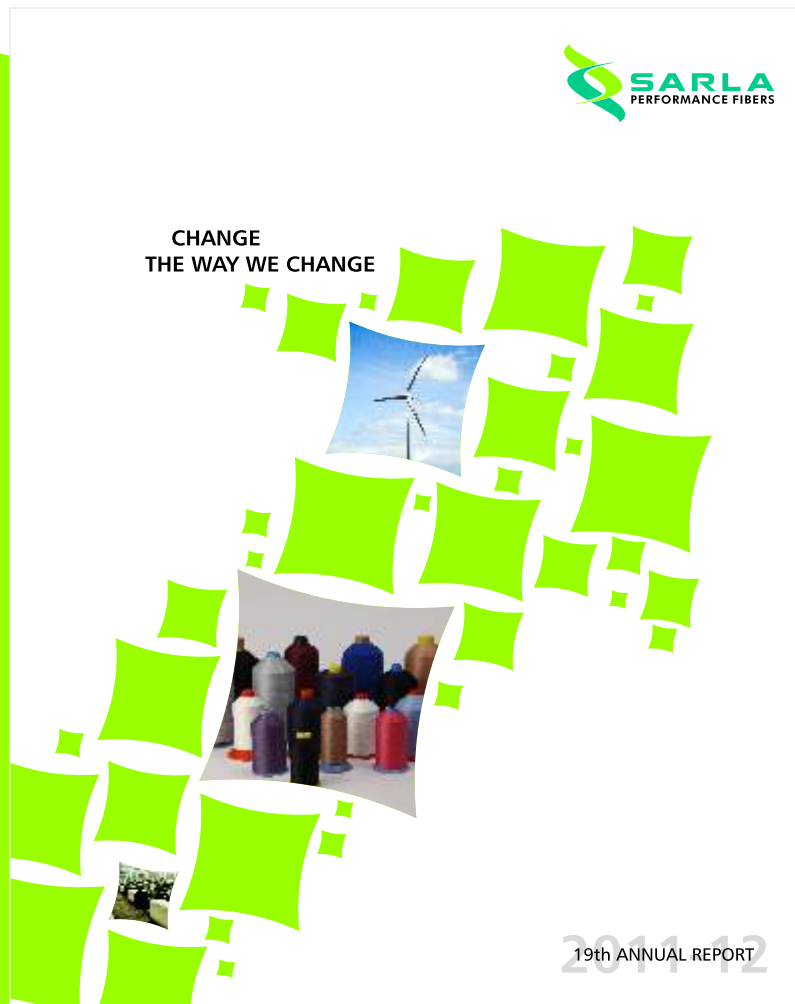
Most CEOs would have to answer "No." In Industry after industry, it's the insurgents, not the incumbents, who've been surfing the ways of change.

Given all this, the only thing that can be safely predicted is that sometime soon your organization will be challenged to change in ways for which it has no precedent. Of course, change brings both promise and peril, but the proportion facing any particular organization depends on its capacity to adapt. And therein lies the problem : our organizations were never built to be adaptable. In large global companies, as in poorly governed dictatorships, deep change occurs belatedly and convulsively. They ultimately require regime change and turnaround. A turnaround is a poor substitute for a transformation.

## THAT'S WHY WE NEED TO CHANGE THE WAY WE CHANGE.

### CHANGING THE WAY WE CHANGE

We took our first steps to respond to the required pace of change in fiscal 2012. Among the key steps taken in both Silvassa and Vapi facilities - We automated our dye house, made changes to our yarn manufacturing, revised material movement and flow, installed equipments to reduce power consumption etc.





### Board of Directors:

|                              |                                |
|------------------------------|--------------------------------|
| MADHUSUDAN JHUNJHUNWALA      | Chairman & Whole-Time Director |
| KRISHNAKUMAR M. JHUNJHUNWALA | Managing Director              |
| ARUN VAID                    | Director                       |
| JIGAR A SHAH                 | Director                       |
| ANIL KUMAR JAIN              | Director                       |

### Chief Financial Officer & Company Secretary:

MAHENDRA SHETH

### Audit Committee:

|                         |          |
|-------------------------|----------|
| ARUN VAID               | Chairman |
| MADHUSUDAN JHUNJHUNWALA | Member   |
| JIGAR A SHAH            | Member   |

### Auditors:

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

### Bankers:

|                         |                |               |
|-------------------------|----------------|---------------|
| ANDHRA BANK             | CITIBANK N. A. | DBS BANK LTD. |
| STANDARD CHARTERED BANK | YES BANK LTD.  |               |

### 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](http://www.sarlafibers.com)

### Investors services e-mail id:

[investors@sarlafibers.com](mailto:investors@sarlafibers.com)

### Registrars & Transfer Agents:

M/s. Sharex Dynamic (India) Pvt. Ltd.,  
Unit - 1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai - 400 072.

## CONTENTS:

|                                    |    |                                  |    |
|------------------------------------|----|----------------------------------|----|
| Board of Directors                 | 01 | Balance Sheet                    | 25 |
| Performance at a Glance            | 08 | Profit and Loss Account          | 26 |
| From the Desk of Managing Director | 09 | Cash Flow Statement              | 27 |
| Directors Report                   | 10 | Notes to Balance Sheet           | 28 |
| Corporate Governance Report        | 18 | Consolidated Financial Statement | 43 |
| Auditors Report                    | 24 | Notice                           | 59 |

## FY 2011-12

Some of the key changes  
which we carried out in our operation are as under:

### AUTOMATED CHEMICAL WEIGHING AND DISPENSING SYSTEM

Each recipe has a bar code signifying which chemicals are to be weighed and delivered to the dye machine. The operator scans the barcode and the system will automatically weigh and send to the dye machine. This ensures



the correct chemicals are weighed and sent to the machine for improved batch to batch repeatability. This will result in reduction in wastage, savings in cost of dyes & chemicals, less rejections by customers.

### COMPUTERIZED DYE WEIGHING SYSTEM

After the weighing and dispensing of the chemicals has been completed the barcode on the recipe is again scanned in the dye weighing kitchen. This assures that each dye is correctly weighed. If too much or too little dye is weighed the system will not go to the next dye or process. This ensures accuracy of the batch as well as batch to batch repeatability.



We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people how to learn.



## DYE HOUSE EXPANSION AND MACHINE REALIGNMENT

The dye house has undergone a major expansion with the addition of dyeing equipment increasing the dyeing capacity 50%. With the expansion now complete the operation is in a position to give our customers various dye lot sizes to meet their requirements. Because of this expansion the dye machines were repositioned to reduce movement of raw and dyed material to improve machine efficiencies and reduce the time for the movement of material in loading and unloading the machines.

## ADDITION OF RF DRYER

To improve the feel of the yarn a decision was taken to install an RF dryer for drying the yarn after the dyeing process. The yarn is hydro extracted and then dried in the RF dryer to ensure the product is properly dried.



## MATERIAL STORAGE AND MOVEMENT

With the renovation of the Vapi dyeing operations the movement and storage of material was reviewed with the intent to reduce movement and simplify the movement of material. Wheeled crates were designed in house using expended chemicals totes. Since the implementation, material movement and material storage has been reduced by 50% as compared to the previous handling system.

Innovation is the specific instrument  
of entrepreneurship...  
the act that endows resources with  
a new capacity to create wealth.

## EXPANSION OF NYLON WINDING DEPARTMENT

A major expansion is now complete for segregating the winding of yarns by the products. Nylon and Polyester products are now wound in different locations ensuring proper winding of the various products supplied to customers.



### NYLON WINDING

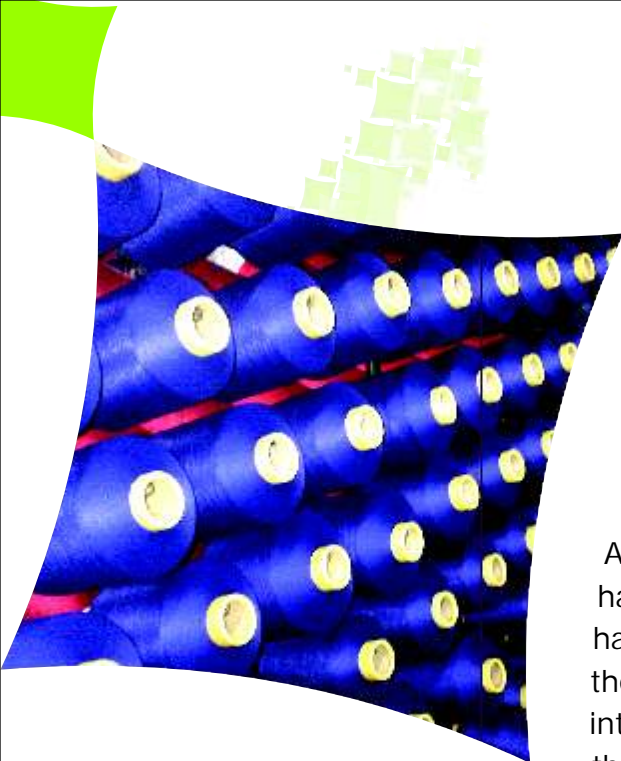


### POLYESTER WINDING



## INSPECTION, PACKING & AUTOMATED TAPEING MACHINE

Inspection and packaging has been realigned to segregate products by yarn type for inspecting and passing of the material. This ensures the quality of the products meets the customer requirements



## AUTOMATED SYSTEM FOR LOADING OF NYLON HANK (MUFF) MATERIAL

An automated conveyor system has been installed to reduce the handling of nylon muffs for loading of the dye basket. When the hank is put on the conveyor a sensor acknowledges and counts the hank thus ensuring the correct number of hanks are loaded into the dye basket for determining the weight of the dye basket thus ensuring the KDA dye weighing system will weigh the proper amount of dyes reducing if not eliminating the chance of any reworks.

## SHIFTING OF REELING MACHINES FROM SILVASSA OPERATION TO DYEHOUSE

To reduce the cost of transportation of nylon material from the factories in Silvassa to the Vapi dyehouse the machines for winding of nylon yarn were shifted to the Vapi operations. This implementation has reduced the number of trips required to move the nylon material by 50%.

## LOW TWIST HIGH SPEED TWISTING MACHINES FOR SEWING THREADS

With technology continuously changing twistors were installed to improve the performance and cost of our sewing thread twisted products. With commissioning of these machines the production capacity has increased by 100% while only installing half of the machines that would have been required by past technology.

## ECO FRIENDLY STEAM BOILER

Say to reduce the dependence on fossil fuels a new boiler has been installed and is being commissioned which will use a bio-degradable fuel source for supplying power for the vapi dyeing operations. With the start up of this boiler there will be no release of sulphurs into the atmosphere as with the burning of fossil fuels.



## DELIVERING VALUE OVER A DECADE

(Rs. in Crores)

### 2002

Expanded product portfolio to sewing thread from commodity polyester yarns.

### 2004

Established 2nd manufacturing unit in Silvassa.

### 2005

"BEST EXPORT UNIT AWARD"  
By Export Promotion Council-2005.

### 2006

- A change in the company's name from Sarla Polyester Limited to Sarla Performance Fibers Limited (SPFL).

- Established its 1st joint venture overseas in Honduras, Central America under the name Savitex S.A. de C.V.

- Set up a spinning plant for conversion of nylon chips into high tenacity nylon 6 and nylon 66 industrial yarns.

### 2007

- Created Sarla Overseas Holdings Limited (SOHL), a wholly owned subsidiary as a separate investment arm for the company.

- The company's shares were listed on the National Stock Exchange of India Limited (NSE).

- Expanded production capacities in Silvassa.

| PROFIT & LOSS AND BALANCE SHEET           | 2002 03 | 2003 03 | 2004 03 | 2005 03 |
|---|---------|---------|---------|---------|
| Equity Paid Up                            | 6.95    | 6.95    | 6.95    | 6.95    |
| Networth                                  | 16.25   | 20.53   | 25.78   | 33.92   |
| Capital Employed                          | 27.16   | 29.41   | 36.79   | 50.84   |
| Gross Block                               | 16.33   | 18.65   | 33.69   | 39.91   |
| Net Working Capital                       | 13.94   | 14.18   | 8.06    | 14.84   |
| Net Sales                                 | 29.59   | 48.43   | 55.22   | 70.28   |
| Profit before Interest, Depreciation, Tax | 3.58    | 7.94    | 10.87   | 16.07   |
| Profit after Tax                          | 1.06    | 4.33    | 7.10    | 10.02   |
| Book Value (Rs./Share)                    | 23.38   | 29.54   | 37.09   | 48.81   |
| Market Capitalisation                     | 4.87    | 6.29    | 11.33   | 43.79   |
| Earning Per Share (Rs.)                   | 1.53    | 6.23    | 9.91    | 14.09   |
| Dividend (%)                              | 0.00    | 0.00    | 24.00   | 24.00   |
| Payout                                    | 0.00    | 0.00    | 1.67    | 1.67    |
| Payout (%)                                | 0.00    | 0.00    | 24.24   | 17.06   |

| KEY RATIOS                  | 2002 03 | 2003 03 | 2004 03 | 2005 03 |
|-----------------------------|---------|---------|---------|---------|
| Debt-Equity Ratio           | 0.71    | 0.54    | 0.43    | 0.47    |
| Long Term Debt-Equity Ratio | 0.17    | 0.11    | 0.05    | 0.05    |
| Current Ratio               | 1.42    | 1.37    | 1.08    | 0.98    |
| Turnover Ratios             |         |         |         |         |
| Fixed Assets Ratio          | 1.83    | 2.78    | 2.26    | 1.98    |
| Inventory Ratio             | 5.45    | 8.61    | 7.60    | 7.35    |
| Debtors Ratio               | 2.82    | 4.79    | 4.96    | 4.99    |
| Interest Cover Ratio        | 2.27    | 6.15    | 9.55    | 11.32   |
| PBIDTM (%)                  | 13.32   | 16.32   | 18.40   | 22.01   |
| PBITM (%)                   | 10.81   | 13.90   | 16.17   | 18.77   |
| PBIDTM (%)                  | 8.55    | 14.06   | 16.71   | 20.36   |
| ROCE (%)                    | 11.17   | 23.97   | 28.90   | 31.28   |
| RONW (%)                    | 7.84    | 23.55   | 30.66   | 33.57   |
| Debtors Velocity (Days)     | 57.00   | 55.00   | 57.00   | 59.00   |
| Creditors Velocity (Days)   | 34.00   | 34.00   | 36.00   | 52.00   |

Actions speak louder than words. Last decade is one of action for us.  
Achievements of last decade are humbling and install more responsibility on us to deliver.

| 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 | 2012 03 |
|---------|---------|---------|---------|---------|---------|---------|
| 6.95    | 6.95    | 6.95    | 6.95    | 6.95    | 6.95    | 6.95    |
| 42.93   | 51.34   | 63.84   | 74.47   | 89.17   | 108.24  | 124.41  |
| 61.52   | 80.7    | 106.37  | 113.44  | 126.10  | 155.84  | 192.63  |
| 43.66   | 48.55   | 69.91   | 76.85   | 90.83   | 113.11  | 125.07  |
| 24.66   | 38.81   | 51.89   | 60.13   | 62.82   | 77.54   | 97.99   |
| 86.09   | 98.51   | 122.33  | 135.59  | 155.33  | 193.02  | 233.6   |
| 18.42   | 20.00   | 24.57   | 24.89   | 29.57   | 35.95   | 34.52   |
| 11.32   | 11.38   | 15.22   | 12.72   | 16.91   | 22.53   | 18.90   |
| 61.77   | 73.87   | 91.85   | 107.15  | 128.30  | 155.73  | 178.99  |
| 89.59   | 81.45   | 94.52   | 23.87   | 61.92   | 78.54   | 69.29   |
| 15.87   | 15.96   | 21.89   | 18.30   | 24.34   | 32.42   | 27.22   |
| 30.00   | 30.00   | 35.00   | 35.00   | 35.00   | 45.00   | 50.00   |
| 2.09    | 2.09    | 2.43    | 2.43    | 2.43    | 3.13    | 3.48    |
| 18.95   | 18.85   | 15.98   | 19.12   | 14.38   | 13.88   | 18.40   |

23% 10 year sales CAGR  
25% 10 year EBITDA CAGR  
33% 10 year net profit CAGR  
23% 10 year book value CAGR  
30% 10 year MCAP CAGR

**2008**  
"OEKO" - TEX CERTIFICATE,  
A Standard Certificate from  
Germany in the field of  
Textile Ecology - 2008.

| 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 | 2012 03 |
|---------|---------|---------|---------|---------|---------|---------|
| 0.46    | 0.51    | 0.67    | 0.52    | 0.42    | 0.44    | 0.55    |
| 0.03    | 0.00    | 0.01    | 0.02    | 0.05    | 0.11    | 0.11    |
| 1.07    | 1.15    | 1.22    | 1.42    | 1.55    | 1.73    | 1.56    |
|         |         |         |         |         |         |         |
| 2.12    | 2.20    | 2.07    | 1.85    | 1.85    | 1.89    | 1.96    |
| 7.06    | 6.54    | 5.09    | 4.64    | 5.22    | 4.41    | 4.31    |
| 4.47    | 4.23    | 3.43    | 4.92    | 3.59    | 3.79    | 3.70    |
| 9.54    | 7.58    | 10.36   | 6.52    | 10.07   | 15.43   | 8.90    |
| 20.80   | 19.76   | 17.68   | 15.47   | 16.01   | 16.09   | 14.77   |
| 17.87   | 16.85   | 14.03   | 11.60   | 12.43   | 12.66   | 11.33   |
| 18.92   | 17.53   | 16.10   | 13.25   | 14.47   | 15.10   | 13.50   |
| 28.18   | 23.99   | 22.18   | 18.41   | 20.47   | 21.21   | 15.72   |
| 29.46   | 24.14   | 26.43   | 18.39   | 20.67   | 22.83   | 16.25   |
| 63.00   | 70.00   | 105.00  | 100.00  | 98.00   | 92.00   | 99.00   |
| 49.00   | 57.00   | 49.00   | 44.00   | 49.00   | 52.00   | 78.00   |

**2009**  
Established a joint venture in  
Portugal, Sarla Europe LDA,

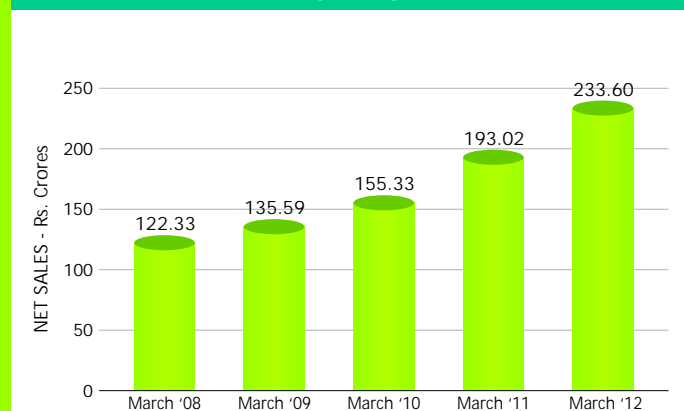
**2010**  
Installed first windmill in  
Gujarat.

**2011**  
• Started joint venture  
operations in Turkey.  
• Installed windmills in  
Satara, Maharashtra. Total  
wind power generation  
capacity of 3.25 MW.

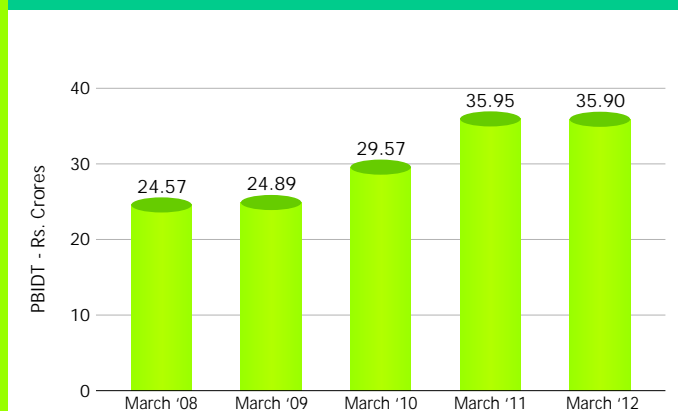
**2012**  
2 more windmills of 2 MW  
each to start operation by  
September 2012.

## PERFORMANCE AT A GLANCE

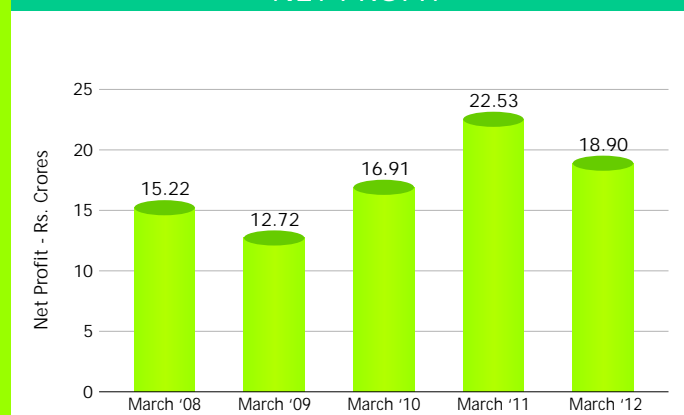
### SALES



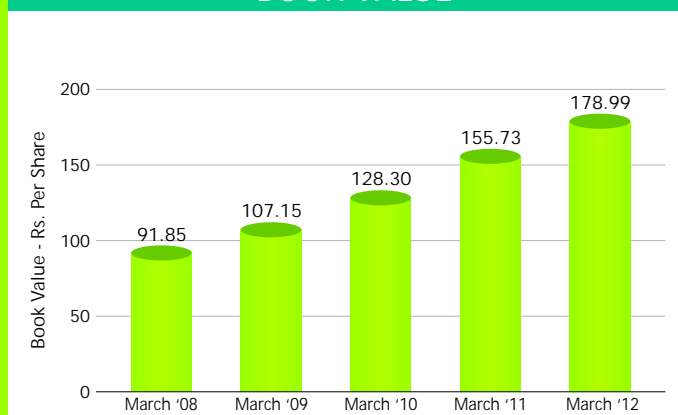
### EBIDTA



### NET PROFIT



### BOOK VALUE



### DIVIDEND PAYOUT (%)



### MARKET CAPITALISATION

