

SALONA COTSPIN LIMITED

**SIXTEENTH ANNUAL REPORT
2009-2010**

BOARD OF DIRECTORS

SHRI. SHYAMLAL AGARWALA
Managing Director

SHRI. MANOJ KUMAR JHAJHARIA
Joint Managing Director

SHRI. G.V.S. DESIKAN

SHRI. DULICHAND PANSARI

SHRI. MAHESH AGARWAL

SHRI SP. SEKAR

BANKERS

UNION BANK OF INDIA
THE CATHOLIC SYRIAN BANK LTD
STATE BANK OF INDIA
ORIENTAL BANK OF COMMERCE

AUDITORS

M/s.VKS AIYER & CO.
Chartered Accountants,
Coimbatore.

REGISTERED OFFICE

Mill Premises
S.F.No. 74/12 & 75/3, Sathy Main Road,
Pungampalli, Valipalayam (Post)
Sathy Taluk, Erode District.
Tamil Nadu.

WIND MILLS

Panakudi Village, Tirunelveli District.
Sinjuvadi Village, Pollachi Taluk,
Vadambacherri Village, Palladam Taluk,
Kozhumankondan Village, Palani Taluk.

ADMINISTRATIVE OFFICE

No.9, Ramalinga Nagar,
IV-Cross, Saibaba Colony
Coimbatore – 641 011.

SHARE TRANSFER AGENTS

M/s. S.K.D.C. Consultants Limited,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Coimbatore 641 006

SALONA COTSPIN LIMITED

NOTICE

Notice is hereby given that the SIXTEENTH Annual General Meeting of the Shareholders of the Company will be held on Monday 13th September 2010 at 10.00 A.M. at the Registered Office of the Company at Mill Premises, S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamil Nadu, to transact the business given in the following agenda. You are requested to make it convenient to attend the meeting.

AGENDA

ORDINARY BUSINESSES: -

1. To receive, consider and adopt the audited statement of accounts for the year ended 31st March,2010 along with the reports of the Auditors and Directors thereon.
2. To declare a dividend on equity shares.
3. To elect a Director in the place of Shri. Mahesh Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
4. To elect a Director in the place of Shri SP. Sekar, who retires by rotation and being eligible, offers himself for reappointment
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification the following ordinary resolution.

RESOLVED THAT approval of Shareholders of the Company be and is hereby accorded for the reappointment of Sri Shyamlal Agarwala as Managing Director of the Company for a further period of Five years with effect from 1st April 2010 and in consideration of his services as Managing Director, Sri Shyamlal Agarwala shall be paid the following remuneration:-

I. SALARY: Rs. 1,00,000/= (Rupees one Lac only) per month.

II. PERQUISITIES:

In addition to the salary, Sri Shyamlal Agarwala shall also be entitled to the following perquisites:-

- (a)Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961
- (b)Gratuity at the rate of half a month salary for each completed year of service, and
- (c)Encashment of leave at the end of tenure as per the rules of the Company.

III. COMMISSION:

1% commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956.

IV. OTHER PERQUISITES:

At the discretion of the Board of Directors up to a sum not exceeding annual salary i.e., Rs. 12.00 Lacs (Rupees Twelve Lacs)

V. MINIMUM REMUNERATION:

ALSO RESOLVED THAT, the above salary and perquisites excepting commission, be paid as minimum remuneration in the event of loss or inadequacy of profits in any financial year, during the tenure of the appointee.

FURTHER RESOLVED THAT Sri. Shyamalal Agarwala be and entrusted with all the powers of day to day management and administration of the business of the Company, subject to the overall superintendence and control of the Board of Directors of the Company.

7. To consider and if thought fit to pass with or without modification, the following ordinary resolution:-

RESOLVED THAT, in partial modification of the earlier resolution passed in this regard, approval of share holders of the Company be and is hereby accorded for the modification of remuneration payable to Sri Manoj Kumar Jhajharia, Joint Managing Director for the remaining tenure of office with effect from 1st April 2010 as detailed below:-

I. **SALARY:** Rs. 90,000/= (Rupees Ninety thousand only) per month

II. PERQUISITES:

In addition to the Salary, Sri Manoj Kumar Jhajharia shall also be entitled to the following perquisites:-

(a) Contribution to Provident and Superannuation funds to the extent not taxable under the Income Tax Act, 1961.

(b) Gratuity at the rate of Half a month salary for each completed year of service, and

(c) Encashment of leave at the end of tenure as per the rules of the Company.

III. OTHER PERQUISITES :-

At the discretion of the Board of Directors up to a sum not exceeding annual Salary i.e., Rs. 10.80 Lacs (Rupees Ten Lacs and Eighty thousand only)

IV. MINIMUM REMUNERATION:-

ALSO RESOLVED THAT, the above salary and perquisites excepting commission, be paid as minimum remuneration in the event of loss or inadequacy of profits in any financial year, during the tenure of the appointee.

RESOLVED FURTHER THAT Sri. Manojkumar Jhajharia, as Joint Managing Director, be entrusted with all powers for day to day administration of the business of the Company, subject to the overall supervision and control of the Managing Director of the Company and the Board of Directors of the Company

BY ORDER OF THE BOARD

(sd...)

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE

Date: 28th May, 2010

NOTE:

1. Any member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. The Proxy form duly stamped and executed should be deposited at the Registered Office at least forty-eight hours before the time fixed for the commencement of the meeting.
3. The Register of Member and Share Transfer Books of the Company will remain closed from 11th September,2010 to 13th September,2010 (both days inclusive)
4. The Shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any at **M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Coimbatore 641 006**
5. Shareholders are hereby informed that those who have not encashed their dividend warrants relating to one or more financial years up to the financial year ended 31st March, 2007 are requested to communicate to the Registrar & Transfer Agent, M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Coimbatore 641 006 seeking claim for their unencashed dividends. Unclaimed dividends on expiry of seven years from the date of declaration of dividend will be due for transfer to the Investor Education and Protection fund as per the provision of Sec.205 A(5) of the Companies Act, 1956.

The Year wise amount of unclaimed dividend is given below:

Serial No	Financial Year	Date Of Declaration	Amount of Dividends Remaining Unclaimed	Due date for transfer to IEPF
1	31 st March,2003	29.09.2003	103230.64	27 th October 2010
2	31 st March,2004	16.09.2004	111344.00	14 th October 2011
3	31 st March,2005	28.09.2005	100369.56	26 th October 2012
4	31 st March,2006	27.09.2006	127605.20	25 th October 2013
5	31 st March,2007	22.09.2007	163482.00	20 th October 2014

6. Name & Address of the Stock Exchanges where the Shares are listed.

The Equity Shares of the Company are permitted for trading in **BSE Indonext segment** – under group “S” of The Bombay Stock exchange Limited, Phiroze Jeejee Bhoj Towers, Dalal Street, Mumbai – 400 001

Coimbatore Stock Exchange, 683-686, CSX Tower, Trichy Road, Singanallur, Coimbatore – 641 005

Madras Stock Exchange Ltd., Exchange Building, Post Box No.183, 11, Second Line Beach, Chennai – 600 001.

The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta – 700 001.

The Stock Exchange Ahmedabad, Kamadhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad – 380 015.

Annual Listing fee has been paid to all the above stock exchanges.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING
RE-APPOINTMENT**

(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri Mahesh Agarwal	Shri. SP. Sekar
Age	49 Years	52 Years
Date of Appointment	23.02.1995	22.06.2005
Qualifications	B.Com.,	M.Tech (Textile Technology)
Expertise in Specific functional area	More than 28 years of experience in Textile field	More than 28Years of experience in Textile Mills
Other Directorships	1.Preeti Cotspin Pvt. Ltd., 2.Kuheli Dealcom Pvt. Ltd.,	1. S.V.N Textiles Pvt. Ltd., 2. Allof Textiles Online Ltd.,
Member of Committee	2	2

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 6 of the Agenda:

Shri Shyamlal Agarwala, the Chief Promoter of the Company, has been Managing Director from the inception of Company. He was reappointed by the Board of Directors for a further period of Five years with effect from 1st April,2010. Considering the increased functional responsibilities and growth achieved by the company in recent years, the Board of Directors as per the recommendations of the remuneration committee at their meeting held on 3rd March,2010 approved the enhancement of remuneration payable to Shri Shyamlal Agarwala, Managing Director with effect from 1st April,2010.

Such reappointment and the enhancement of the remuneration payable are in accordance with the conditions laid down in Schedule XIII of the Companies Act, 1956 and requires the approval of the shareholders. Necessary resolutions are placed before the shareholders for their approval.

The terms and conditions contained in the text of the resolution for his appointment may be treated as an abstract pursuant to Section 302(2) of the Companies Act, 1956.

Shri Shyamlal Agarwala, Managing Director, Shri Manoj Kumar Jhajharia, Joint Managing Director and Shri Mahesh Agarwal are interested in the above item of Agenda.

Item No. 7 of the Agenda:

Shri Manoj Kumar Jhajharia, the promoter of the company, has been Director from the inception of the company. He has been Joint Managing Director since 21st June 2004. In view of his qualifications and experience in textile business, the Board of Directors as per recommendations of the remuneration committee at their meeting held on 3rd March,2010 approved the enhancement of remuneration payable to Shri Manoj Kumar Jhajharia, Joint Managing Director for the remaining tenure of office with effect from 1st April,2010

Such enhancement of the remuneration payable are in accordance with the conditions laid down in Schedule XIII of the Companies Act, 1956 and requires the approval of the shareholders. Necessary resolutions are placed before the shareholders for their approval.

The terms and conditions contained in the text of the resolution for his appointment may be treated as an abstract pursuant to Section 302(2) of the Companies Act, 1956.

Shri Shyamlal Agarwala, Managing Director, Shri Manoj Kumar Jhajharia, Joint Managing Director and Shri Mahesh Agarwal are interested in the above item of Agenda.

SALONA COTSPIN LIMITED

SIXTEENTH REPORT OF THE BOARD OF DIRECTORS

Your Directors have great pleasure in presenting their **SIXTEENTH** Annual Report together with the audited financial statements of the Company for the year ended 31st March 2010.

Working Results

	Rs. in Lacs	
Details	31 st March,2010	31 st March,2009
INCOME		
Sales & Other Operating Receipts:	5528.99	4993.90
Other Income	15.58	14.39
Total	5544.57	5008.29
Gross Profit before Interest, Depreciation and Tax	994.03	808.10
Less: Interest	284.86	259.47
Profit after Interest, but before Depreciation and Tax	709.17	548.63
Less: Depreciation	447.14	436.07
Add: Prior Year Adjustments	0.00	0.02
PROFIT BEFORE TAX	262.03	112.58
Less: Provision for Income-Tax :		
- Current Tax	45.99	12.88
- Current Year FBT	0.00	1.43
- Prior Year Income Tax	0.00	1.87
- Prior Year FBT	0.00	0.61
Less: Deferred Tax Liability	0.00	83.07
Add: Deferred Tax Liability reversed	9.70	0.00
NET PROFIT AFTER TAX	225.74	12.72
Add: Opening Surplus	670.58	657.86
Total Profit available for appropriation	896.32	670.58
APPROPRIATION		
The above Profit is proposed to be appropriated as stated below:-		
Proposed Dividends & Tax on Dividend	61.36	0.00
Surplus Carried Over to Balance Sheet	834.96	670.58

DIVIDEND:-

Your Directors are pleased to recommend a dividend of 10% for the year ended 31st March 2010; the total outgo in the form of dividend including corporate dividend tax will be to the extent of Rs. 61.36 Lacs.

REVIEW OF OPERATIONS: -

During the financial year under review, Sales have increased from Rs.4877.81 Lacs to Rs. 5485.56 Lacs. Even though there was power cut and frequent power interruptions during this year, on account of the better utilization; the yarn production increased to 36.81 Lacs Kgs. as against 35.22 Lacs Kgs. in last year. The mill has produced Knitted fabrics of 19.59 Lacs Kgs. as against 17.34 Lacs Kgs. in last year.

During the year under review, the company installed three more Wind Electric Generators to the total capacity of 2.20 MW. The windmills generated 55.73 Lacs units of wind electricity as against 47.58 Lacs units in the previous period. The Wind electricity was captively consumed by use in the Textile Mill.

OUTLOOK FOR THE IMMEDIATE FUTURE: -

The Company continued to pursue the policy of constant modernization by upgrading the textile machines, to improve quality and quantity. The company plans to increase spindle capacity from 21744 to 24336 Spindles. Your directors are optimistic of continued good performance in the immediate future, subject to availability of good quality cotton at a reasonable price and uninterrupted power.

FINANCES: -

During the year under review, the Company has forfeited 88700 numbers of shares. The paid up Share Capital of the company stood at Rs. 526.24 Lacs. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.834.96 Lacs. The liability for interest free sales tax deferred credit stood at Rs.531.21 Lacs. (Rs.584.46 Lacs) The Company met all financial commitments to the Bankers on account of Term Loan and Working Capital Credit. On account of economic recession during last year in Global Market, which severely affected the Textile Industry; the company has got sanction from the Bankers for moratorium period of two years for Term Loan repayment.

DEPOSITS: -

The Company has not accepted any deposits from the public at any time during the year.

PERSONNEL: -

The Industrial relations continued to remain cordial during the period. The Board of Directors wishes to place on record their appreciation for co-operation extended by all sections of the employees.

INFORMATION PURSUANT TO SECTION 217 OF COMPANIES ACT, 1956

The information required as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is furnished in the Annexure.

During the period under review, the Company had no employee covered under Section 217(2A) of the Companies Act, 1956.

DIRECTORS: -

Shri Mahesh Agarwal and Shri SP. Sekar, the Directors longest in office retire by rotation at the ensuing Annual General Meeting being eligible, offer themselves for reappointment.

Sri Kanhaiyalal Sharma resigned the Directorship in the Company with effect from 7th December 2009 due to his personal reasons. The Board wish to place on record their appreciation for the services rendered by Sri Kanhaiyalal Sharma, during his tenure of his office as Director in the Company.

The tenure of office of Sri Shyamlal Agarwala, as Managing Director, expired on 31st March 2010. The Board of Directors, at their meeting held on 3rd March 2010, re-appointed Sri Shyamlal Agarwala, for a further period of five years, on enhanced remuneration. The re-appointment of terms of remuneration are subject to approval of shareholders, for which a special business is included in the notice convening the 16th Annual General Meeting of the Company.

The Board of Directors also approved at their meeting held on 3rd March 2010, payment of enhanced remuneration to Sri Manoj Kumar Jhajharia, with effect from 1st April 2010. Necessary resolution is placed before the shareholders for their approval, as a special business, in the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENTS:-

In term of Section 217(2AA) of the Companies Act, 1956 your Directors state that:-

- i) In the preparation of the annual accounts, all the applicable accounting standards prevailing in India were followed and recognized.
- ii) The Directors had selected appropriate accounting Policies and applied them consistently and also 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 period ended on that date;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors had prepared the annual accounts on a going concern basis.

AUDITORS: -

The present Auditors M/s. VKS Aiyer & Co, Chartered Accountants, Coimbatore, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

LISTING WITH STOCK EXCHANGES: -

The equity shares of the Company are listed and traded in the stock exchanges of Coimbatore, Chennai, Ahmedabad and Calcutta and the company has made compliance with the conditions of listing agreements.

The Equity Shares of the Company are permitted for trading in **BSE Indonext** segment - under group "**S**" of **Bombay Stock Exchange Limited**.

ACKNOWLEDGEMENT

The Directors wish to place on record their gratitude to State Bank of India ,Union Bank of India, Oriental Bank of Commerce and The Catholic Syrian Bank Limited for their financial assistance. Your Directors also take this opportunity to express their appreciation of the earnest efforts put in by the employees, at all levels, in achieving the corporate objectives. Shareholders' appreciation of the managements' efforts expressed at the general meetings of the Company and otherwise, is a great fillip to strive for better performance year after year.

The Board dedicates its prayers to invoke the blessing of Lord Vishnu, Goddess Lakshmi, Lord Shiva and Goddess Sakthi for the continued prosperity of the Company.

Place: COIMBATORE

Date: 28th May, 2010

BY ORDER OF THE BOARD

(sd...)

SHYAMLAL AGARWALA
Chairman

SALONA COTSPIN LIMITED

**ANNEXURE TO REPORT OF BOARD OF DIRECTORS
FORM A**

Information pursuant to the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:-

Details	31st March,2010	31st March,2009
a) Electricity:		
i) Purchase :		
Total Amount (Rs.)	37881978	21894007
Total Units	8905240	4388794
Rate/Unit (Rs. p.)	4.25	4.99
ii) Own Generation through Diesel Generators		
Units (KWH)	1509207	957392
Consumed(Ltrs)	423839	255721
Total Amount (Rs.)	12735498	7504610
Unit per litre of Diesel(KWH)	3.56	3.74
Cost per unit (Rs. p.)	8.44	7.84
b) Coal	--	--
c) Furnace Oil	--	--
d) Others/Internal Generation		
Wind Electricity Through own WEG 's (Unit)	5572872	4758330
Total Amount (Rs.)	19505051	16654154
e) Consumption per kg of production:		
Production in kgs	3681370	3521607
Electricity Units	10414447	10104516
Unit/kg. of Yarn	2.83	2.87

B. Technology absorption: -

Since all the machinery installed are new and of latest technology available, no formal research and developments activities were undertaken. Product and Process development are made on continuous basis. The Company is a member of South India Textile Research Association (SITRA) and avails all the benefits out of the research findings and development activities of SITRA.

C. Foreign Exchange earnings & Outgo:-

i.Total Foreign Exchange earned :-	(Rs. In Lacs)	(Rs. In Lacs)
F.O.B Value of Exports of finished and trading goods	321.44	498.33
ii) Remittance in Foreign currency	41.17	16.70

BY ORDER OF THE BOARD

Place: COIMBATORE
Date: 28th May, 2010

(sd...)
SHYAMLAL AGARWALA
Chairman

SALONA COTSPIN LIMITED

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure and developments: The Indian Textile industry faces a high competitive market in the world market. The input cost has increased highly. Indian Textile industry faces competition from China, Pakistan, Bangladesh and Sri Lanka. The cost of Raw materials, Human resources and Power has increased during the year. Due to power cut & lower allotment of power, the utilization has decreased which resulted in increase of cost of production.

Opportunities and threats: World-wide, there is an increasing orientation towards clothing made of organic and natural fibers. There is a continuous increase in demand for cotton garments in both domestic and export market. The supply of quality cotton is expected to be comfortable in 2010-11.

Product-wise performance: The Company's main product range continues to be Cotton Yarn and Knitted fabrics, catering to the needs of Hosiery/knitted, Garment Industries. The Company continues to pursue a policy of constant upgradation of quality of yarn and fabric produced.

Outlook: Due to competitiveness at all levels, it is necessary to implement consolidation strategies such as cost reduction measures, improving productivity, and exploring new markets, maintaining high quality and these measures are under way. We expect the textile industry to turn favourable in the coming years.

Risks and Concerns: The Key raw material for our industry is cotton and major area under cotton cultivation is rain-fed and hence it is dependent on vagaries of monsoon. Adequate availability of raw cotton is crucial for the company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the company. Power also plays a major role in cost structure.

Internal Control systems and their adequacy: The Company has proper and adequate systems of internal controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition. These systems also ensure that all transactions are authorized, recorded and reported correctly. A strong system of internal audit and effective and comprehensive reviews by the Audit Committee of the Board have strengthened the internal controls within the organization.

The Company's Financial Performance & Analysis: The Company earned a post tax profit of Rs.225.74 Lacs (Previous year Rs.12.72 Lacs) after providing for current Income Tax and deferred Tax. The Financial performances of the company are explained in detail in the Directors report to Shareholders.

Human Resources/Industrial relations: The efforts of the staff and management are on imparting continuous training to improve overall working practices. Industrial relations are cordial and satisfactory.

BY ORDER OF THE BOARD

Place: COIMBATORE

Date: 28th May, 2010

(sd...)

SHYAMLAL AGARWALA

Chairman

SALONA COTSPIN LIMITED

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY WITH RESPECT TO CORPORATE GOVERNANCE:

The Company's Philosophy on Corporate Governance envisages the endeavor to attain high levels of transparency, accountability, fairness and equity in all its facts of operation, to serve the best interest of all the stake holders in the Company, including Shareholders, Lenders, Employees and the Government.

2. BOARD OF DIRECTORS: -

A) Composition of the Board:-

The Board of Directors comprises of Six Members including Chairman and Managing Director and one Joint Managing Director, both of whom represent the Promoters; of the remaining four directors, three are Independent Directors who have no business relationship with the Company.

B) Ceiling of Directorship/Committee position:-

None of the Directors of the Company holds position as a member in more than Ten Committees nor do they act as Chairman of more than Five Committees across all companies in which he is a Director. The composition of the Board of Directors and number of other Directorships in Public Limited Companies and number of Committees in which they are member as on 31st March 2010 are as tabled below: -

Name of the Directors	Executive/ Non- Executive/ Independent	No. of other Directorship Held	No. of committee Positions	
			As Chairman	As Member
Sri Shyamlal Agarwala Managing Director	Executive	1	1	1
Sri Manoj Kumar Jhajharia Joint Managing Director	Executive	1	Nil	2
Sri SP.Sekar	Independent	2	Nil	1
Sri G.V.S. Desikan	Independent	7	3	2
Sri Kanhaiyalal Sharma *	Independent	Nil	Nil	Nil
Sri Dulichand Pansari	Independent	Nil	Nil	Nil
Sri Mahesh Agarwal	Non Executive	2	Nil	Nil

* Resigned with effect from 7th December 2009.

C) Board Meetings & Attendance: -

During the period from April 1, 2009 to March 31, 2010 Eight Board Meetings were held on the following dates:-

30 th April 2009	7 th May 2009	24 th June 2009	31 st July 2009	30 th October 2009	4 th January 2010	28 th January 2010	3 rd March 2010
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Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 24th September 2009 are as tabled below: -

S.No	Name of the Directors	Number of meeting		Last AGM Attendance
		Held	Attended	
1.	Sri Shyamlal Agarwala Managing Director	8	7	P
2.	Sri Manoj Kumar Jhajharia Joint Managing Director	8	8	P
3.	Sri GVS Desikan	8	8	P
4.	Sri Kanhaiyalal Sharma *	8	Nil	D A
5.	Sri Dulichand Pansari	8	Nil	P
6.	Sri Mahesh Agarwal	8	2	P
7.	Sri SP. Sekar	8	8	P

P: Present D A: Did not attend

* Resigned with effect from 7th December 2009

3. AUDIT COMMITTEE:

A) Composition, Names of members and Chairperson:

The Board of Directors of your Company have constituted the audit Committee with the Following directors as members (1) Sri G.V.S Desikan (2) Sri Mahesh Agarwal
3) Sri SP.Sekar

All the members are non-executive and independent Directors and Sri G.V.S.Desikan, Chairman of the Committee has good financial and accounting knowledge.

B) Brief description of the terms of reference: -

The terms of reference include all the terms stipulated under clause 49 of the Listing Agreement, which interalia include the following: -

1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and Credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
- h) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
5. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

4. REMUNERATION COMMITTEE:

The Board of Directors have constituted a remuneration committee to suggest suitable Remuneration package payable to managerial personnel on appointment or reappointment from time to time. The following directors are the members of the committee:

1	Shri G V S Desikan	Chairman
2	Shri Dulichand Pansari	Member
3	Shri Mahesh Agarwala	Member
4	Shri SP Sekar	Member

Executive Directors, their business interest and remuneration paid:

Name of the Directors	Relationship with other Director	Business relationship with the company if any	Remuneration paid/ Payable during 2009-2010(Rs.)		
			Salary and Perquisites	Commission	Total
1. Shyamlal Agarwala Managing Director	Parent of Joint Managing Director	Promoter	10,87,846	2,62,029	13,49,875
2. Manoj Kumar Jhaharia Joint Managing Director	Son of Managing Director	Promoter	9,87,462	Nil	9,87,462

Shri Shyamlal Agarwal and Shri Manoj Kumar Jhaharia are related to each other as father and son respectively and Shri Mahesh Agarwal is related to Shyamlal Agarwala as brother:

Non Executive Directors and details of remuneration paid:

Serial No	Name of the Director	Position	Sitting Fees
1.	Sri G.V.S. Desikan	Non Executive Independent	Rs.16000
2.	Sri. SP.Sekar	Non Executive Independent	Rs.12000
3.	Sri. Mahesh Agarwal	Non Executive	Rs. 4000

- iii) Financial Year : 31.3.2010
- iv) Date of Book Closure : 11.09.2010 to 13.09.2010
- v) Results for the quarter : June 2010(By 14th August, 2010), September 2010(By 14th November, 2010), December 2010(By 14th February 2011) & March 2011(Audited by 30th May 2011)
- vi) Listing on stock Exchanges : Listed in Ahmedabad, Kolkata, Chennai Coimbatore and Mumbai Stock Exchanges.
Permitted for trading in BSE indonext segment of Bombay stock Exchange ltd. w.e.f. 05.07.2006

vii) Market price data

Month	Salona Cotspin Limited		BSE SENSEX	
	High	Low	High	Low
April 2009	9.70	8.31	11492.10	9546.29
May 2009	9.55	7.30	14930.54	11621.30
June 2009	11.40	9.50	15600.30	14016.95
July 2009	10.30	8.45	15732.81	13219.99
August 2009	8.80	7.37	16002.46	14684.45
September 2009	10.50	8.13	17142.52	15356.72
October 2009	10.76	9.03	17493.17	15805.20
November 2009	10.50	7.87	17290.48	15330.56
December 2009	12.54	8.21	17530.94	16577.78
January 2010	13.99	10.36	17790.33	15982.08
February 2010	13.99	10.93	16669.25	15651.99
March 2010	13.07	10.17	17793.01	16438.45

- viii) Register and transfer agents : **M/s. S.K.D.C. Consultants Limited,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Coimbatore 641 006**

- ix) Share transfer systems :

The company ensures that all transfers of shares are duly effected within the period of one month from the date of their lodgment. The Company has constituted the Share Transfer Committee of Executives to consider the transfer of shares and other related matters. Share Transfer and all other investor related activities are attended to and processed at the office of the Registrar & Transfer Agent.

- x) Dematerialisation of shares :

As on 31.03.2010, 1038600 Shares constituting 19.409% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

xi) Distribution of Shareholding :

Range	No. of Shareholders	% of holders	No of Shares	% held
Up to 5000	1106	63.20	430554 *	8.05
5001 to 10000	340	19.43	318460	5.95
10001 to 20000	156	8.91	258510	4.83
20001 to 30000	47	2.69	124707	2.33
30001 to 40000	16	0.91	57650	1.08
40001 to 50000	15	0.86	68645	1.28
50001 to 100000	22	1.26	170859	3.19
100001 and above	48	2.74	3921715	73.29
Total	1750	100.00	5351100 *	100.00

* Includes 88700 equity shares forfeited during the year.

xii) Category-wise distribution of shareholding :

Sl.No.	Category	No. of shares	Percentage
	Promoter's Holding		
1	Promoters	2682600	50.132
2	Persons Acting in Concern	400000	7.475
	Sub Total	3082600	57.607
	Non Promoters holding		
3	Banks, Fin. Institutions, Insurance Companies	38500	0.719
	Sub Total	38500	0.719
	Other		
4	Private corporate bodies	492869	9.211
5	Indian Public	*1737131	32.463
6	NRI's /OCBs	0	0.00
	Sub Total	2230000	41.674
	Total	5351100	100.000

* Includes 88700 equity shares forfeited during the year.

xiii) Plant location : SF No. 74/12 and 75/3,
Sathy main road, Pungampalli Village,
Valipalayam (Post), Sathy Tk, Erode Dist.

xiv) Address for correspondence : Administrative Office,
9, Ramalinga Nagar, IV Cross
Saibaba Colony, Coimbatore – 641 011
Tamil Nadu.

BY ORDER OF THE BOARD

Place: COIMBATORE
Date: 28th May, 2010

(sd...)
SHYAMLAL AGARWALA
CHAIRMAN

**CORPORATE GOVERNANCE - NON MANDATORY REQUIREMENTS – EXTENT
ADOPTED**

1.	<p>The Board-A Non executive Chairman may be entitled to maintain a Chairman’s office at the Company’s expense and also allowed reimbursement of expenses incurred in performance of his duties</p> <p>Independent Directors may have a tenure not exceeding, in aggregate, a period of nine years, on the Board of a Company</p> <p>The Company may ensure that the person who is being appointed as an independent director has the requisite qualification and experience which would be of use to the Company and which, in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an independent director</p>	:	<p>Does not arise as the Chairman of the Board is an Executive Chairman.</p> <p>No tenure has been fixed for independent Directors.</p> <p>This is ensured.</p>
2.	Remuneration Committee	:	Please refer to Serial No.4 of this Report
3.	Share holders Rights – The half-yearly declaration of financial performance including summary of the significant events in last six months, may be sent to each household of Shareholders	:	As the Company’s half yearly results are published in leading English newspapers having circulation all over India and in Tamil newspapers and also in the SEBI website, the same are not sent to the Shareholders of the Company. There is no publication of second half-yearly result as the annual results are approved by the Board and then published in the newspapers and also communicated to the shareholders through the Annual Report
4.	Audit qualifications – Company may move towards a regime of unqualified financial statements	:	Nil
5.	Training of Board Members – The Company may train its Board Members in the business model of the Company as well as the risk profile of the business parameters of the Company, their responsibilities as directors and the best ways to discharge them	:	At present, the Company does not have any such training Programme for Directors

6.	Mechanism for evaluating non-executive Board Members – The performance evaluation of non-executive directors could be done by a Peer Group comprising the entire Board of Directors, excluding the Director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend/continue the terms of appointment of non-executive directors	At present, the Company does not have any such mechanism for evaluating the performance of Non-Executive Board Members
7.	Whistle Blower Policy	: The Company does not have a Whistle Blower Policy.

By Order of the Board

(sd...)

SHYAMLAL AGARWALA
Managing Director

Place: Coimbatore
Date : 28th May, 2010

Code of Conduct – Declaration clause 49 (1)(D):-

This is to certify that all the Board Members and Senior Management Personnel of the Company have affirmed Compliance with the Code of Conduct laid down by the Company, as approved by the Board of Directors of the Company.

For SALONA COTSPIN LIMITED

(sd...)

SHYAMLAL AGARWALA
Managing Director

Place: Coimbatore
Date : 28th May, 2010

AUDITORS' REPORT ON CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement)

To the Board of Directors of **SALONA COTSPIN LIMITED**

We have examined the compliance of Corporate Governance by **SALONA COTSPIN LIMITED**, for the year ended on 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us;

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that based on representations made by the management and confirmation given by the Registrar and Share Transfer Agent of the Company, no investor grievances were remaining unattended as on 31st March, 2010 for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For VKS AIYER & CO
Chartered Accountants
ICAI Firm Reg No.00066S

COIMBATORE
28th May, 2010

(sd...)
V S SRINIVASAN
PARTNER
Membership No. F 13729

Auditors' Report

To the Members,

SALONA COTSPIN LIMITED

We have audited the attached Balance Sheet of **SALONA COTSPIN LIMITED** as at 31st March 2010 and the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, 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 purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on 31st March 2010, from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, present a true and fair view, in conformity with the accounting principles generally accepted in India:

- (i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
- (ii) In so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date;

for VKS AIYER & CO
Chartered Accountants
ICAI Firm Reg No. 00066S

(sd...)
V S SRINIVASAN
PARTNER
Membership No. F 13729

Place: COIMBATORE
Dated: 28th May, 2010

SALONA COTSPIN LIMITED

Annexure to Auditors' Report

Referred to in Paragraph 2 of our report of even date

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories :
 - a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The Company has neither granted nor taken secured or unsecured loan, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 :
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and service. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. There were no transactions carried out by the company during the years under Audit, with parties listed in the Register maintained pursuant to Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956 for Textile & Wind electricity. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of statutory dues:
 - a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and

explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2010 for a period of more than six months from the date of becoming payable.

- b) The Company has no disputed statutory dues.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
 11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
 12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
 14. According to the records of the Company, there are no transactions and contracts in respect of trading in securities, debentures and other investments; all shares, debentures and other investments have been held by the Company in its own name.
 15. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.
 16. The Term loans raised by the Company have been applied for the purpose for which they were raised.
 17. In our opinion and according to the information and explanations given to us and on over all examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
 18. During the year, the Company has not made any preferential allotment of share to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures during the period under audit.
 20. The Company has not raised any money by way of public issue during the year.
 21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

for VKS AIYER & CO
Chartered Accountants
ICAI Firm Reg No. 00066S

Place: COIMBATORE
Dated: 28th May, 2010

(sd...)
VS SRINIVASAN
PARTNER
Membership No. F 13729

CEO AND CFO CERTIFICATION

To the Board of Directors of SALONA COTSPIN LIMITED

In compliance with Clause 49(V) of the Listing Agreement with the Stock Exchanges, we hereby certify that:

- (a) We have reviewed financial statements and the cash flow statements for the year ended 31st March 2010 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2009-10, which are fraudulent, illegal or violative of the Company's code of conduct
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have not observed any deficiencies in the design or operation of internal controls; and
- (d) We have indicated to the Auditors and the Audit Committee that there are:-
 - (i) no significant changes in the internal control during the year
 - (ii) no significant changes in accounting policies during the year; and
 - (iii) no instances of significant fraud where the involvement of management or an employee having a significant role in the Company's internal control system have been observed.

COIMBATORE
28th May, 2010

(sd...)
SHYAMLAL AGARWALA
Managing Director (CEO)

(sd...)
M.S. SELVARAJ
Manager - Accounts (CFO)

SALONA COTSPIN LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

	Sch. No.	Current Year As at 31st Mar.2010 Rs.	Previous Year As at 31st Mar.2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:-			
Share Capital	1	53288927	53288927
Reserves & Surplus	2	83495750	67058314
		136784677	120347241
DEFERRED TAX LIABILITY	3	40590000	41560000
LOAN FUNDS:-			
Secured Loans	4	424081793	281575884
Unsecured Loans	5	53120815	58445717
		477202608	340021601
		654577285	501928842
APPLICATION OF FUNDS:-			
FIXED ASSETS:			
Gross Block	6	631120619	505808226
Less: Depreciation		259857408	215142865
		371263211	290665361
Add: Capital Work-in-progress		1335036	530374
Net Block		372598247	291195735
INVESTMENTS:-	7	277920	285920
CURRENT ASSETS, LOANS & ADVANCES:			
Inventories	8	190189266	95920060
Sundry Debtors	9	70165733	64799283
Cash & Bank Balances	10	20587425	15169289
Other Current Assets	11	7759318	12304745
Loans & Advances	12	34586572	30729744
		323288314	218923121
CURRENT LIABILITIES & PROVISIONS:			
a. Current Liabilities	13	38780256	12599591
b. Provisions	14	6522562	211236
		45302818	12810827
NET CURRENT ASSETS		277985496	206112294
MISCELLANEOUS EXPENDITURE			
to the extent not written off or adjusted	15		
Deferred Revenue Expenditure		3715622	4334893
		654577285	501928842

Read with Schedule from 1 to 15 and notes on accounts -Sch 27

As per our Report of Even date attached
for V K S AIYER & CO
Chartered Accountants

(sd...)
V.S. SRINIVASAN
Partner
Membership No. F-13729

Place: Coimbatore
Date : 28th May,2010

On behalf of the Board

(sd...)
SHYAMLAL AGARWALA
Managing Director

(sd...)
MANOJKUMAR JHAJHARIA
Joint Managing Director

SALONA COTSPIN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Sch. No.	Current Year	Previous Year
		As at 31st Mar.2010 Rs.	As at 31st Mar.2009 Rs.
INCOME			
Sales & Other Operating Receipts	16	552898668	499389765
Other Income	17	1557745	1438940
		554456413	500828705
EXPENDITURE			
Raw Material Consumed	18	345375602	320301370
Purchase of Trading Goods - Yarn		7691044	11556515
Manufacturing Charges	19	50446660	43969519
Repairs & Maintenance	20	19369304	13301939
Salaries, Wages and Other Benefits	21	16796420	13694031
Remuneration to Directors	22	2369337	1338000
Administrative & Other Expenses	23	8280888	5785780
Selling and Distribution Expenses	24	7848331	7358472
		458177586	417305626
Add/Less : Change in stock of finished & semi finished goods	25	-3124449	2713068
		455053137	420018694
PROFIT BEFORE INTEREST & DEPRECIATION		99403276	80810011
Interest & Finance Charges	26	28485879	25946957
PROFIT BEFORE DEPRECIATION		70917397	54863054
Depreciation		44714542	43606801
		26202855	11256253
PROFIT FOR THE YEAR BEFORE TAX		26202855	11256253
Add Excess Provision For Taxes Written Back		0	2127
		26202855	11258380
LESS:			
Provision for Taxation For The Year			
Current Year-Income Tax		4599000	1288000
Fringe Benefit Tax		0	142500
Deferred Tax Liability		0	8307000
Prior Year Tax Payments			
Income Tax Payments		0	187147
Fringe Benefit Tax Paid		0	61265
ADD: Deferred Tax			
Deferred Tax Liability Reversed		970000	0
NET PROFIT AFTER TAX		22573855	1272468
Add: Surplus Brought Forward		67058314	65785846
		89632169	67058314

	Sch. No.	For the current year ended 31.03.2010 Rs.	Previous Year ended 31.03.2009 Rs.
APPROPRIATIONS:			
Proposed Dividends & Tax on Dividend		6136419	0
Surplus carried Over to Balance Sheet		83495750	67058314
		89632169	67058314
Earnings per share (Basic & Diluted) Rs.	Rs	4.29	0.24
Nominal Value Per Share	Rs	10.00	10.00

Read with Schedule from 16 to 26 and notes on accounts -Sch 27

**As per our Report of Even date attached
for V K S AIYER & CO
Chartered Accountants**

(sd...)
V.S. SRINIVASAN
Partner
Membership No. F-13729

Place: Coimbatore
Date : 28th May,2010

On behalf of the Board

(sd...)

SHYAMLAL AGARWALA
Managing Director

(sd...)

MANOJKUMAR JHAJHARIA
Joint Managing Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

	Current Year As at 31st Mar.2010 Rs.	Previous year As at 31st Mar.2009 Rs.
SCHEDULE No.1		
SHARE CAPITAL:-		
AUTHORISED 6000000 Equity Shares if Rs.10/- each	60000000	60000000
ISSUED, SUBSCRIBED & PAID UP: 5262400 (5351100) Equity Shares of Rs.10/- each	52624000	53511000
Less: Calls in Arrears (other than directors)	0	222073
Add: Forfeited Shares	664927	0
	53288927	53288927
SCHEDULE No.2		
RESERVES & SURPLUS		
SURPLUS Balance In Profit & Loss Account after appropriation	83495750	67058314
	83495750	67058314
SCHEDULE No.3		
DEFERRED TAX		
DEFERRED TAX LIABILITY:		
Opening Balance	50022000	41715000
Add: Recognized During The Year	0	8307000
	50022000	50022000
Less:Reversed During The Year	970000	0
	49052000	50022000
DEFERRED TAX ASSET:		
Opening Balance	8462000	8462000
Add: Recognized During The Year	0	0
	8462000	8462000
Less:Reversed During The Year	0	0
	8462000	8462000
NET DEFERRED TAX LIABILITY	40590000	41560000

	Current Year As at 31st Mar.2010 Rs.	Previous year As at 31st Mar.2009 Rs.
SCHEDULE No.4		
SECURED LOANS:		
I. Term Loans From Banks:		
Union Bank of India	117830143	99466578
The Catholic Syrian Bank Ltd.,	0	2564333
State Bank of India	59798100	63141979
Oriental Bank of Commerce	74187228	0
	251815471	165172890
ii. Cash Credit From Banks:		
Union Bank of India,	30315310	69479819
Union Bank of India Packing Credit	5739273	0
Union Bank of India FCL Loan	50760411	0
The Catholic Syrian Bank Ltd.,	14468892	4684778
State Bank of India	25864177	35812513
State Bank of India FCNRB Loan	9724000	0
Oriental Bank of Commerce	17669669	0
	154541732	109977110
iii. Foreign Bills Purchased by Banks:		
Union Bank of India (FDBP A/c)	14910131	3211329
Union Bank of India (UDBP A/c)	950131	1364731
	15860262	4576060
iv. Hire Purchase Finance		
From ICICI Bank Limited	0	248847
From Union Bank of India	500000	0
	500000	248847
v. Interest accrued and due on Term Loans	1364328	1600977
	424081793	281575884
SCHEDULE No.5		
UNSECURED LOANS		
IFST Deferral Scheme	53120815	58445717
	53120815	58445717

SALONA COTSPIN LIMITED

SCHEDULE No. 6 FIXED ASSETS

	COST				DEPRECIATION				W.D.V.	
	As at	Additions/	Deletions/	As at	At at	for the year		As at	As at	
	01.04.2009 Rs.	Transfers Rs.	Transfers Rs.	31.03.2010 Rs.	01.04.2009 Rs.	Additions Rs.	Deductions Rs.	31.03.2010 Rs.	31.03.2010 Rs.	31.03.2009 Rs.
Land	826902	761980	0	1588882	0	0	0	0	1588882	826902
Buildings	57760064	0		57760064	12245178	1828929		14074107	43685957	45514000
Plant & Machinery	351140297	7209672		358349969	151673143	30654677	0	182327820	176022149	19946000
Wind Electric Generator	86891050	116396352		203287402	46760485	11276516		58037001	145250401	40130000
Vehicles	5117104	592699		5709803	2150738	490599		2641337	3068466	2966000
Furniture & Fixtures	868383			868383	386340	45474		431814	436569	482000
Office Equipments	3012725	351690		3364415	1904641	409241		2313882	1050533	1108000
Canteen equipments	191701	0		191701	22341	9106		31447	160254	169000
Capital Work-in-Progress	505808226	125312393		631120619	215142866	44714542	0	259857408	371263211	29066000
- Building	530374	684848		1215222				0	1215222	530374
- Machinery	0	119814		119814				0	119814	
Current Year Total	506338600	126117055	0	632455655	215142866	44714542	0	259857408	372598247	29119000
Previous Year Total	505220877	2806608	1688885	506338600	172351232	43606801	815168	215142865	290665361	33203000

	Current Year As at 31st Mar.2010 Rs.	Previous Year As at 31st Mar.2009 Rs.
SCHEDULE No.7		
INVESTMENTS		
TRADE - UNQUOTED:		
In Equity Shares (Un quoted): 20000 Equity Shares of Rs.10/- each in Sarvamangalam Synthetics Ltd.,	200000	200000
NON TRADE - QUOTED:		
In Equity Shares (quoted) 3272 Equity Shares of Rs.10/- each <i>(previously 3772 Equity Shares of Rs.10/- each</i> in Union Bank of India	77920	85920
	277920	285920
Aggregate Value of Quoted Investments	77920	85920
Market Value thereof	956406	555427
Aggregate Value of Unquoted Investments	200000	200000
SCHEDULE No.8		
INVENTORIES		
Stores, Spares & Packing Materials	3077060	2800220
Raw Materials	154126335	64666723
Work in Process	13927309	11829605
Finished Goods - Yarn & Fabrics	16456335	15984996
By-Product Waste Cotton	2602227	638516
	190189266	95920060
SCHEDULE No.9		
SUNDRY DEBTORS (Unsecured)		
(I) Considered Good		
Debts Outstanding For a period Exceeding Six Months	848018	807294
Other debts	69317715	63991989
	70165733	64799283
SCHEDULE No.10		
CASH & BANK BALANCES		
Cash on Hand	506643	232960
Cash with Scheduled Banks - in Current Accounts	9920378	9851806
- in Deposit Accounts	10160404	5084523
	20587425	15169289

	Current Year As at 31st Mar.2010 Rs.	Previous Year As at 31st Mar.2009 Rs.
SCHEDULE No. 11		
OTHER CURRENT ASSETS:		
Interest Accrued	791639	247548
Interest Subsidy Receivable	6569378	12057197
Insurance Claims Receivable	398301	0
	7759318	12304745
SCHEDULE No.12		
LOANS & ADVANCES		
(Unsecured, & Considered Good Recoverable in Cash or in kind or Value to be received)		
Advances for Purchases/Expenses	2695807	7546691
Advances to Staff & Other Operatives	271008	304105
Add: Advances paid for Capital goods	19369132	10308526
Advance Towards Direct Taxes (net)	0	23579
Advance Towards In-Direct Taxes	3596221	3156399
Other Advances	257810	147810
Prepaid Expenses	401665	433687
Deposits with Govt. & Other Authorities	7994929	8808947
	34586572	30729744
SCHEDULE No.13		
CURRENT LIABILITIES & PROVISIONS		
(A) CURRENT LIABILITIES		
Liability for Purchases & Expenses :		
To Micro, small and medium enterprises	NIL	NIL
To Others	38174225	11986310
Investor Education & Protection Fund but transfer not due to Central Government:		
Unclaimed Dividends	606031	613281
	38780256	12599591
SCHEDULE No.14		
(B) PROVISIONS		
Provision For Taxation		
Provision for Income Tax (Net)	174907	0
Provision for Fringe Benefit Tax (Net)	211236	211236
Provision For Proposed Dividend	5262400	0
Provision For Corporate Dividend Tax	874019	0
	6522562	211236
SCHEDULE No. 15		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Balance as per last balance sheet	4334893	4954164
Incurred During The Year	0	0
Less: Amortised during the year	619271	619271
	3715622	4334893

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Current Year	Previous Year
	As at 31st Mar.2010 Rs.	As at 31st Mar.2009 Rs.
SCHEDULE No.16		
SALES & OTHER OPERATING RECEIPTS		
Finished Goods	504422742	446286054
Traded Goods	6830952	5972744
	511253694	452258798
By-Product - Waste Cotton	37288432	35498461
Duty Draw Back	719906	2128075
DEPB Licence	294748	0
Miscellaneous Items	13840	23450
WEG-CDM Revenue	3328048	9480981
	552898668	499389765
SCHEDULE No.17		
OTHER INCOME		
#REF!	1407194	1094431
Dividends from other investments	18860	15088
Profit on Sale of Assets	112314	317097
Miscellaneous Income	19377	12324
	1557745	1438940
SCHEDULE No.18		
RAW MATERIAL CONSUMED		
Opening Stock - Cotton	64666723	66839661
- Cotton in Process	2534700	1742673
ADD: Cost of Cotton Purchased	436243519	318920459
	503444942	387502793
LESS: Closing Stock - Cotton	154126335	64666723
- Cotton in Process	3943005	2534700
	345375602	320301370
SCHEDULE No.19		
MANUFACTURING CHARGES		
Consumption of Stores & Spares	2987095	2020241
Power & Fuel	31112425	29398617
Other Manufacturing Expenses	16347140	12550661
	50446660	43969519

	Current Year As at 31st Mar.2010 Rs.	Previous Year As at 31st Mar.2009 Rs.
SCHEDULE No.20		
REPAIRS & MAINTENANCE		
Machinery	12117435	8071473
Electrical	412844	286033
Generator	94414	55014
Building	1437922	1046637
Wind Mill	3222276	2246780
Vehicle	714928	992636
Office Equipment	391827	160097
General	977658	443269
	19369304	13301939
SCHEDULE No.21		
SALARIES, WAGES AND OTHER BENEFITS		
Salaries Wages & Bonus	11751230	7999033
Stipend to Trainees	368804	2039883
contribution To Provident & Other Funds	671663	374904
Gratuity	259180	189210
Workmen & Staff Welfare Expenses	3745543	3091001
	16796420	13694031
SCHEDULE No.22		
REMUNERATION TO DIRECTORS		
To Managing Director	1349875	684000
To Joint Managing Director	987462	624000
	2337337	1308000
Sitting Fees to Other Directors	32000	30000
	2369337	1338000
SCHEDULE No.23		
ADMINISTRATIVE & OTHER EXPENSES		
Insurance	1616329	1867784
Rent	165700	181000
Rates & Taxes	431939	254136
Printing and Stationery	232470	203078
Postage, Telephone and Telegram	540941	415994
Professional Charges & Legal Fees	345441	176060
Travelling & Conveyance Expenses	1498686	1123144
Donations	74000	26000
Other Expenses	2461367	1538584
Foreign Exchange Fluctuation Loss	914015	0
	8280888	5785780

	Current Year As at 31st Mar.2010 Rs.	Previous Year As at 31st Mar.2009 Rs.
SCHEDULE No.24		
SELLING AND DISTRIBUTION EXPENSES		
Packing Materials Consumed	1741689	1368766
Bad Debts Written off	0	80305
Commission, Brokerage & Rebates	2411104	2397463
Expenses on Export Sales	1496591	1552968
Freight on Yarn Sales	2198947	1958970
	7848331	7358472
SCHEDULE No.25		
CHANGE IN STOCK OF FINISHED GOODS & SEMI FINISHED GOODS		
Opening Stock:		
Finished Goods - Yarn	13795842	17980213
Finished Goods - Fabrics	2189154	774793
Work in Process	9294905	9695719
By-Product - Waste Cotton	638516	180760
	25918417	28631485
Closing Stock:		
Finished Goods - Yarn	15402599	13795842
Finished Goods - Fabrics	1053736	2189154
Work in Process	9984304	9294905
By Product - Waste Cotton	2602227	638516
	29042866	25918417
	-3124449	2713068
SCHEDULE No. 26		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Loans	16149299	11637786
Interest on Working Capital Credits	9689584	12074982
Hire Purchase Finance Charges	25925	58766
Bank Charges	1905402	1062136
Bill Discounting charges	715669	1113287
	28485879	25946957

SCHEDULE NO 27

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.03.2010

I. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

(A) METHOD OF ACCOUNTING

The accounts have been prepared on historical cost convention method and as a going concern, complying in all material aspects with applicable accounting principles and practices and in accordance with the notified Accounting Standards.

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that effect the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialized.

(C) FIXED ASSETS

Fixed Asset are stated at cost and are inclusive of pre-operative expenses capitalized less accumulated depreciation

(D) INVESTMENTS

All the investments are treated as Non-current and Valued at Cost; provision for fall in value (other than temporary) is considered, if material and necessary.

(E) VALUATION OF INVENTORIES

Inventories as at the close of the year are valued as stated below and quantities adopted are as certified by the management:-

- i) Raw Materials
- ii) Finished goods
 - Yarn
 - Fabric
 - Saleable waste
- iii) Stock in process
- iv) Stock of packing materials and Stores/Spares

First - in - First - out formula is used while determining the cost of all the above items except cotton for which actual cost formula is used.

(F) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions chargeable to revenue have been accounted for by adopting the exchange rate as per documents negotiated with the bankers. Export sales are net of exchange fluctuation gain/loss realised/incurred and accounted for as per realisation certificate received from the bankers.

(G) REVENUE RECOGNITION

- i) Accrual basis of accounting is followed by the company for all regular sources of income and expenses.
- ii) Sales are accounted on transfer of property in goods to the buyers for a definite consideration; Sales include exchange fluctuation gain/loss realised or incurred during the year in respect of export sales.
- iii) Carbon Credit is taken as income only when the credit is considered eligible for grant and realized from its users

(H) DEPRECIATION

Provision for Depreciation on Fixed assets has been made adopting the Written down Value Method and the rates prescribed in Schedule XVI of the Companies Act, 1956; (For items costing Rs.5000/- each or less, 100% depreciation has been charged.) For additions during the year prorata charge has been made from the date the asset is put into use; No depreciation is charged in the year of sale of the asset.

(I) BORROWING COSTS

Interest on borrowings, if any, attributable to acquisition of qualifying assets are capitalised and included in the cost of the asset, as appropriate.

(J) EARNINGS PER SHARE

Basic Earnings per share is calculated by dividing the Net Profit after tax attributable to the shareholders by the weighted average number of Equity Shares outstanding during the year.

(K) RETIREMENT BENEFITS

Gratuity, which is a defined benefit, is accrued and provided for based on independent actuarial valuations as at the balance sheet date. Gratuity claims are settled on the occurring of the event/claim.

Contributions payable to Provident Funds which is a defined contribution scheme is charged to the profit and loss account. Such Contributions are on predetermined statutory rates payable to competent authority

(L) TAXES ON INCOME

Current Tax is determined as per the provisions of the Income - Tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessments/appeals.

Deferred Tax assets and liabilities are recognised on timing differences between accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets, other than those arising on account of unabsorbed depreciation or carry forward of losses under tax laws, are recognised and carried forward subject to consideration of prudence only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(M) PROVISIONS AND CONTINGENT LIABILITIES

The Company recognises a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(N) CASH FLOW STATEMENTS

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balance with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

(O) IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying amount of the asset exceeds its estimated recoverable value. Carrying amounts of fixed assets are reviewed at each balance sheet date to determine indications of impairment, if any, of those assets. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognised as an impairment loss. The impairment loss, if any, recognized in prior accounting period is reversed if there is a change in estimate of recoverable amount.

(P) CENVAT AND STATE VAT FOR INPUTS

- i) The value of eligible CENVAT Credit against Central Excise duty paid on purchase of capital goods has been deducted from the cost of relevant plant & machinery capitalised.
- ii) The value of eligible CENVAT Credit against Central Excise duty paid has been adjusted against the relevant materials purchased and inventory of materials has been valued at rates net of CENVAT Credit.
- iii) CENVAT Credit availed has been adjusted against Central Excise duty incurred on finished goods despatched and unavailed deferred CENVAT Credit are carried over as advance
- iv) STATE VAT - INPUT Credit against Capital goods are adjusted against relevant asset and net amount capitalised; Input credit against remaining goods are accounted for by adjustments against cost of relevant goods; Unadjusted State VAT Credit is carried over as advance.

(Q) DEFERRED REVENUE EXPENDITURE

Expenditure incurred in respect of replacement of a major WEG component has been treated as deferred revenue expenditure and are amortized over period of nine years.

SALONA COTSPIN LIMITED

II. NOTES FORMING PART OF ACCOUNTS

			T o t a l	
			As at 31st Mar.2010	As at 31st Mar.2009
1	Details of Turnover :			
	a. Finished Goods - Cotton Yarn Indigenous	Rs.	200,898,890	205,981,422
		Kgs.	1,209,299	1,708,567
	b. Finished Goods - Cotton Yarn Direct Exports	Rs.	17,829,466	18,581,300
		Kgs.	133,459	163,449
	c. Finished Goods - Cotton Yarn Merchant Exports	Rs.	15,593,408	2,190,888
		Kgs.	114,307	19,051
	d. Finished Goods - Knitted Fabrics Indigenous	Rs.	262,616,992	194,253,829
		Kgs.	1,917,463	1,563,152
	e. Finished Goods - Knitted Fabrics Direct Export	Rs.	7,483,986	25,278,615
		Kgs.	49,752	159,253
	f. Finished Goods - Knitted Fabrics Merchant Export	Rs.	-	-
		Kgs.	-	-
	g. Traded Goods- Cotton Yarn Direct Exports	Rs.	6,830,952	5,972,744
		Kgs.	53,392	49,097
			511,253,694	452,258,798
	i. Of the above			
	Yarn For Exports (direct/merchant/traded)		40,253,826	26,744,932
	Yarn For Local		200,898,890	205,981,422
	Knitted Fabrics For Exports (direct/merchant/traded)		7,483,986	25,278,615
	Knitted Fabrics Local		262,616,992	194,253,829
			511,253,694	452,258,798
			-	-
	h. By Product	Rs.	37,288,432	35,498,461
		Kgs.	1,125,611	1,020,102
	i. Raw Materials- Cotton	Rs.	-	420,363
		Kgs.	-	7,300

	j. Wind Energy Realised	Rs.	19,505,051	16,654,154
	Wind Energy is generated by the Wind Energy division and is consumed by the Textile Division	Units.	5,572,872	4,758,330
	k. Other Operating Income includes carbon credit found eligible and actually admitted as well as realized.	Rs.	4,356,542	11,632,506
	l. Other Non-Operating Income	Rs.	1,557,745	1,438,940
2	Details of Purchases:			
	A . Raw Materials-Cotton			
	a. Indigenous	Rs.	436,243,519	318,920,459
		kgs.	5,897,436	4,607,733
	b. Imported	Rs.	-	-
		kgs.	-	-
	B Goods For Trade-Yarn			
	a. Indigenous	Rs.	7,691,044	11,556,515
		kgs.	60,676	105,467

3	Details of Consumption :			
	A. Raw Materials Cotton			
	a. Indigenous	Rs.	345,375,602	320,301,370
		Kgs.	4,945,789 (100%)	4,677,829 (100%)
	b. Imported	Rs.	-	-
		kgs.	-	-
	B. Cotton Hosiery Yarn - for knitting			
	Indigenous	kgs.	1,960,654	1,715,410
	C. Stores & Spares			
	a. Indigenous	Rs.	2,987,095 (100%)	2,020,241 (100%)
	b. Imported	Rs.	-	-
4	A. Details of Opening Stock:			
	i. Raw Materials - Cotton	Rs.	64,666,723	66,839,661
		Kgs.	980,142	1,057,538

ii. Finished Goods - Cotton Yarn	Rs.	13,795,842	17,980,213
	Kgs.	125,166	151,710
iii. Finished Goods - Hosiery Knitted Cloth	Rs.	2,189,154	774,793
	Kgs.	17,699	6,548
iv. By Product	Rs.	638,516	180,760
	Kgs.	49,687	11,113
B. Details of Closing Stock:			
i. Raw Material - Cotton	Rs.	154,126,335	64,666,723
	Kgs.	1,928,417	980,142
ii. Finished Goods - Cotton Yarn	Rs.	15,402,599	13,795,842
	Kgs.	80,390	125,166
iii. Finished Goods - Hosiery Knitted Cloth	Rs.	1,053,736	2,189,154
	Kgs.	6,699	17,699
iv. By Product	Rs.	2,602,227	638,516
	Kgs.	86,906	49,687
5 Production Capacity:			
Licenced Capacity	Spindles	Not Applicable	Not Applicable
Installed Capacity	Spindles	21,744	21,744
6 Actual Production:			
I. Finished goods - Cotton Yarn (Cones)		3,681,369	3,521,607
II. Finished goods - Hosiery Knitted Fabrics		1,959,010	1,733,555
7 Value of Imports - CIF:			
Components & Spares	Rs.	-	-
Capital Goods	Rs.	-	-
8 Expenditure in Foreign Currency			
Purchase of Spares	Rs.	81,455	-
Interest & Bank Charges	Rs.	3,301,396	1,197,120
Commission on Exports	Rs.	657,997	472,720
Travelling Expenses to Directors	Rs.	131,044	-

9	Amount remitted in foreign Currency on account of dividends		Nil	Nil
	Number of Non Resident Shareholders		4	4
	Number of Shares Held By Them		3,713	3,713
10	Earnings in foreign currency			
	Direct Export of Goods (F O B)	Rs.	32,144,404	49,832,659
11	Estimated amount of contracts to be executed on capital accounts and not provided for	Rs In Lakhs	708	844
12	Liability for bills discounted with Banks		15,860,262	4,576,060
13	Claims against the company not acknowledged as debts: Towards Electricity Tariff Subsidy Availed disputed by the Electricity Board		NIL	5,275,000
	Towards imports of cotton demanded by foreign supplier but disputed by the company		1,190,000	1,190,000
14	On 28th January,2010 the Company had forfeited 88700 shares for non-payment of calls . As a consequence the number of paid up shares stands reduced to as against in the earlier year.	Shares	5,262,400	5,351,100
15	The Company has been granted various term loan facilities from its Bankers as under:		Rs. In Lakhs	Rs. In Lakhs
	Mortgage Term Loans: Catholic Syrian Bank Limited			
	Term Loan For Wind Electric Generators		412.50	412.50
	Term Loan For One No Auto Coner Machinery		26.35	26.35
	Mortgage Term Loans: Under Textile Up gradation Fund Scheme Union Bank Of India			
	Term Loan For Machinery Project		390.00	390.00
	Term Loan For Machinery Project		1,094.00	1,094.00
	Term Loan for WEG - Normal Scheme		248.00	-
	Mortgage Term Loans: Under Textile Up gradation Fund Scheme State Bank Of India			
	Term Loan For Machinery Project		721.00	721.00
	Term Loan For Machinery Project		432.00	432.00
	Mortgage Term Loans: Under Textile Up gradation Fund Scheme Oriental Bank of commerce			
	Term Loan For Machinery & Wind Energy Convertor		1,368.00	-

Out Standing as on the year ended are as under

Mortgage Term Loans:

Catholic Syrian Bank Limited

Term Loan For wind Energy Generators

- 20.92

Term Loan For One No Auto Coner Machinery

- 5.06

Mortgage Term Loans:

Under Textile Up gradation Fund Scheme

Union Bank Of India

Term Loan For Machinery Project

160.93 176.48

Term Loan For Machinery Project

774.89 827.73

Term Loan For Windmill Project

242.48

Mortgage Term Loans:

Under Textile Up gradation Fund Scheme

State Bank Of India

Term Loan For Machinery Project

274.09 307.42

Term Loan For Machinery Project

330.54 330.13

Mortgage Term Loans:

Under Textile Up gradation Fund Scheme

Oriental Bank of commerce

Term Loan For Machinery & Wind Energy Convertor

748.87 -

Of the above mortgage term loans:

loans repayable within one year are as under:

State Bank Of India

60.00 -

Union Bank Of India

59.28 -

Catholic Syrian Bank Limited

- 25.98

Oriental Bank of commerce

48.86

119.28 25.98

The Company has been granted various cash credit facilities towards its working capital requirement from its Bankers as under:

State Bank Of India

356.00 356.00

Union Bank Of India

710.00 710.00

Catholic Syrian Bank Limited

147.00 147.00

Oriental Bank of commerce

200.00

1,413.00 1,213.00

Cash Credit

1,413.00 1,213.00

Foreign Bills Discounting Facility - UBI

100.00 100.00

1,513.00 1,313.00

	The Company has availed the following cash credit facilities/bills discounting facility etc towards its working capital requirement from its Bankers as under:		
	State Bank Of India	355.88	358.13
	Union Bank Of India	1,026.75	740.56
	Catholic Syrian Bank Limited	144.69	46.85
	Oriental Bank of Commerce	176.70	-
		1,704.02	1,145.53
	The above facilities are secured by way of hypothecation of stocks in trade, besides a first charge on its fixed assets.		
	The above term loan credit facilities pursuant to RBI scheme have been rephased and deferred for a further period of two years		
	All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company		
	An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Managing Director		
	Managing Director and three other directors have furnished their personal guarantee to Bankers for the loans so availed.		
16	Liability to Sales Tax Deferral Scheme is guaranteed by the managing Director personally		
17	Details Of Loans Payable in One Year		
	1) Secured Loans - Term Loans	119.28	25.98
	2) Unsecured Loans - IFST	94.57	59.91
		213.85	85.89
18	There are no dues to be transferred to the Central Government under Investor Education & Protection Fund		
19	Balances With Scheduled Banks Include:		
	Towards Unclaimed Dividend In Current Accounts	606,031	613,281
20	Amount due from officers of the Company included under 'Advance to Staff & Others' is and the maximum amount due at any time during the year was	75,000	90,000

21	The Income Tax assessments have been completed upto the assessment year 2007-08; Income Tax Assessment is pending for scrutiny from the Assessment Year 2008-09. Under the normal provisions of Income Tax Act., the company is not liable to income tax for the current year. However the company is liable to tax on book profits under the provisions of Minimum Alternate Tax (MAT) which has been provided for.																																																										
22	Gross Sales exclude Excise Duty, Sales Tax/VAT Surcharge and Cess collected thereon, as detailed below																																																										
	<table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="3">2009-10</th> </tr> <tr> <th>Cotton Yarn & Fabrics</th> <th>By Product</th> <th>Misc Items</th> </tr> </thead> <tbody> <tr> <td>Product value</td> <td>511,253,694</td> <td>37,288,432</td> <td>13,840</td> </tr> <tr> <td>Sales Tax/VAT</td> <td>6074717</td> <td>1516985</td> <td>6,012</td> </tr> <tr> <td>Cess</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td></td> <td>517,328,411</td> <td>38,805,417</td> <td>19,852</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <th rowspan="2">Particulars</th> <th colspan="3">2008-09</th> </tr> <tr> <th>Cotton Yarn & Fabrics</th> <th>By Product</th> <th>Misc Items</th> </tr> <tr> <td>Product value</td> <td>452,258,798</td> <td>35,498,461</td> <td>23,450</td> </tr> <tr> <td>Excise Duty</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Sales Tax/VAT</td> <td>7,232,316</td> <td>1,419,938</td> <td>938</td> </tr> <tr> <td>Cess</td> <td>-</td> <td>354,985</td> <td>-</td> </tr> <tr> <td></td> <td>459,491,114</td> <td>37,273,384</td> <td>24,388</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	2009-10			Cotton Yarn & Fabrics	By Product	Misc Items	Product value	511,253,694	37,288,432	13,840	Sales Tax/VAT	6074717	1516985	6,012	Cess	-	-	-		517,328,411	38,805,417	19,852					Particulars	2008-09			Cotton Yarn & Fabrics	By Product	Misc Items	Product value	452,258,798	35,498,461	23,450	Excise Duty	-	-	-	Sales Tax/VAT	7,232,316	1,419,938	938	Cess	-	354,985	-		459,491,114	37,273,384	24,388				
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23	<p>Other Expenses includes Statutory Auditor's Remuneration:</p> <table border="1"> <tbody> <tr> <td>Audit Fees</td> <td>74,800</td> <td>50,000</td> </tr> <tr> <td>Tax Audit</td> <td>11,000</td> <td>11,000</td> </tr> <tr> <td>Taxation Matters</td> <td>11,000</td> <td>62,227</td> </tr> <tr> <td>Other Services</td> <td>19,750</td> <td>10,000</td> </tr> <tr> <td>Reimbursement of Service Tax</td> <td>12,996</td> <td>11,989</td> </tr> <tr> <td></td> <td>129,546</td> <td>145,216</td> </tr> <tr> <td>Cost Auditor's Remuneration</td> <td></td> <td></td> </tr> <tr> <td>Audit Fees</td> <td>12,000</td> <td>12,000</td> </tr> <tr> <td>Reimbursement of Service Tax</td> <td>1,236</td> <td>1,236</td> </tr> </tbody> </table>	Audit Fees	74,800	50,000	Tax Audit	11,000	11,000	Taxation Matters	11,000	62,227	Other Services	19,750	10,000	Reimbursement of Service Tax	12,996	11,989		129,546	145,216	Cost Auditor's Remuneration			Audit Fees	12,000	12,000	Reimbursement of Service Tax	1,236	1,236																															
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24	<p>During the year the Company has recognised the gratuity payable to the managerial persons as at 31st March,2010 and has been fully provided for Details Of Managerial Remuneration Paid</p> <p>i) Remuneration to Managing Director</p> <table border="1"> <tbody> <tr> <td>Salary</td> <td>600,000</td> <td>600,000</td> </tr> <tr> <td>Perquisites</td> <td>84,000</td> <td>84,000</td> </tr> <tr> <td>Gratuity</td> <td>403,846</td> <td>-</td> </tr> <tr> <td>Commission</td> <td>262,029</td> <td>-</td> </tr> <tr> <td></td> <td>1,349,875</td> <td>684,000</td> </tr> </tbody> </table>	Salary	600,000	600,000	Perquisites	84,000	84,000	Gratuity	403,846	-	Commission	262,029	-		1,349,875	684,000																																											
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	1,349,875	684,000																																																									

ii)	Remuneration to Joint Managing Director		
	Salary	540,000	540,000
	Perquisites	84,000	84,000
	Gratuity	363,462	-
	Commission	-	-
		987,462	624,000
	* The remuneration paid represents the minimum remuneration pursuant to Sec 309(3) of the Companies Act 1956		*
25	Computation of Profits For The Purpose of Commission To Managing Director		
	Net Profit as Per Profit & Loss Account Before Tax	26,202,855	-
	Add Directors Remuneration	2,337,337	-
	Add : Sitting Fees	32,000	-
	Add Depreciation Charged In Books of Accounts	44,714,542	-
		73,286,734	-
	Less Depreciation Pursuant Section 350	44,714,542	-
	Less Sitting Fees	32,000	-
	Less : Directors Remuneration	2,075,308	-
	Net Profit For The Purpose of Section 349	26,464,884	-
	Commission @ 1%	262,029	-
			*
	* In view of the inadequacy of the net profits for the year ended 31st March,2009 minimum remuneration in terms of Section 309(3) of the Companies Act,1956 has been paid to the managing directors		
26	Information Pursuant to Accounting Standard 15		
	i) Payment To Defined Contribution Benefit Plans:		
	Contribution To Provident Fund	205,736	116,259
	Contribution To Employees Pension Fund	439,544	243,656
	ii) Gratuity		
	The company has undertaken an actuarial valuation in respect of gratuity liability and provides for it in its books of accounts; but does not contribute the amount to any fund or trust.		
	Opening Balance	920,190	764,095
	Add Provision For The Year	259,180	156,095
		1,179,370	920,190
	Less Payments During The Year	-	-
	Closing Balance	1,179,370	920,190
27	Borrowing Cost capitalised during the year	1,004,847	Nil

28	The Company operates only on one segment which is the company's primary segment i.e. is	COTTON TEXTILES	
29	Recurring annual subscription to Textile Research Institutions		
30	<p>South India Textile Research Association (SIITRA)</p> <p>In terms of the Accounting Standard 18 requiring disclosure of related parties, the following persons has been identified as Related Parties:</p> <p>Shyamlal Agarwala</p> <p>Manoj Kumar Jhajharia</p> <p>Pramod Kumar Jhajharia</p> <p>Preeti Cotspin Private Limited</p>	<p>23,983</p> <p>Managing Director</p> <p>Joint Managing Director</p> <p>Chief Executive</p> <p>Common Control</p>	<p>40,991</p>
31	<p>Transactions with Related Parties: Nature of Transaction</p> <p>i) Rent Payments to Related Parties-Administrative Office</p> <p>Relative Of Managing Directors</p> <p>ii) Advance Towards Rent Payments to Related Parties-Administrative Office</p> <p>Relative Of Managing Directors</p> <p>iii) Remuneration to managing director</p> <p>iv) Remuneration to joint managing director</p> <p>v) Sitting Fees to other directors</p> <p>vi) Travelling Reimbursement to other directors</p> <p>vii) Remuneration to chief executive Salary</p> <p>Salary</p> <p>Company's Contribution To Provident Fund & Other Funds</p>	<p>72,000</p> <p>60,000</p> <p>1,349,875</p> <p>987,462</p> <p>32000</p> <p>30000</p> <p>114,000</p> <p>9,360</p> <p>123,360</p>	<p>72,000</p> <p>60,000</p> <p>684,000</p> <p>624,000</p> <p>30000</p> <p>28000</p> <p>114,000</p> <p>13,680</p> <p>127,680</p>
32	<p>ix) Sales</p> <p>By- Product - Cotton Waste</p> <p>To Preeti Cotspin Private Limited</p> <p>x) Commission payable to managing director</p> <p>In terms of the Accounting Standard 20 relating to Earnings Per Share (EPS) the following information is furnished:</p> <p>Profit Available for distribution to Equity Shareholders:</p> <p>Number of Equity Shares</p> <p>Earning Per share - (Basic & Diluted)</p> <p>Nominal Value of shares</p>	<p>18,505,489</p> <p>262,029</p> <p>22,573,855</p> <p>5,262,400</p> <p>Rs. 4.29</p> <p>Rs. 10</p>	<p>5,255,732</p> <p>-</p> <p>1,272,468</p> <p>5,351,100</p> <p>0.24</p> <p>10</p>
33	<p>In Terms of the Accounting Standard 22 working for Deferred Tax Asset has been been recognized on account of prudence and the estimated realizability within a reasonable point of time</p>		

34	Net Deferred Tax Asset/Liability in respect of the year ending 31st March,2010 and earlier credited/debited to profit & Loss Account and Net Deferred Tax Liability as on 31st March,2010 are computed as below		
	Deferred Tax Liability :-		
	on Depreciation difference	54,940,000	41,374,000
	on Deferred Revenue Expenditure	1,260,000	1,473,000
		56,200,000	42,847,000
	Deferred Tax Asset :-		
	on MAT Credit	5,780,000	115,000
	on Unabsorbed depreciation & other Expenses	9,830,000	1,172,000
		15,610,000	1,287,000
	Net Deffered Tax Liability	40,590,000	41,560,000
Deferred Tax Liability at the beginning	41,560,000	33,253,000	
Net Deferred Tax Liability Debited to P & L	-	8,307,000	
Net Deferred Tax Liability Credited to P & L	970,000	-	
35	Information Pursuant To Accounting Standard 29		
	Contingent assets are not recognised.		
	Contingent Liabilities are disclosed by way of a note.		

	2009 - 2010			
	Opening Balance	Recognized during the year	Reversed During the year	Closing Balance
Provisions Contingencies & Other Liabilities:				
Taxation	2,349,900	4,599,000	-	6,948,900
Fringe Benefit Taxation	338,200	-	-	338,200
Dividends	-	5,262,400	-	5,262,400
Expenses (Bonus Etc)	466,720	716,200	466,720	716,200
Gratuity Provision To Employees	920,190	259,180	-	1,179,370
Gratuity Provision To Directors	-	767,308	-	767,308
	4,075,010	11,604,088	466,720	15,212,378
	2008 - 2009			
	Opening Balance	Recognized during the year	Reversed During the year	Closing Balance
Provisions Contingencies & Other Liabilities:				
Taxation	10,131,900	1,288,000	9,070,000	2,349,900
Fringe Benefit Taxation	286,200	142,500	90,500	338,200
Dividends	-	-	-	-
Expenses (Bonus Etc)	346,700	466,720	346,700	466,720
Doubtful Debts	1,600,000	-	1,600,000	-
Gratuity Provision To Employees	764,095	156,095	-	920,190
Gratuity Provision To Directors	-	-	-	-
	13,128,895	2,053,315	11,107,200	4,075,010

36	<p>Dues to Micro, Small & Medium Enterprises</p> <p>The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2010 has been made in the financial statements based on information received and available with the Company. The Company has not received any claim for interest from any supplier under the said Act</p> <p>The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year</p> <p>The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day during the period</p> <p>The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.</p> <p>The amount of interest accrued and remaining unpaid at the end of the period</p> <p>The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise</p>	NIL	NIL
37	<p>In the opinion of the Board of Directors: All the current assets, loans and advances would realise the value stated in the normal course of business. There are no amounts due to be transferred to Investor Protection & Education Fund</p>	NIL	NIL
38	<p>Figures for the previous year have been reclassified and regrouped wherever found necessary</p>	NIL	NIL

SIGNATORIES FOR SCHEDULES AND NOTES FORMING PART OF ACCOUNTS 1 to 27

<p>As per our Report of Even date attached</p> <p>for V K S AIYER & CO Chartered Accountants</p> <p>(sd...)</p> <p>V.S. SRINIVASAN Partner Membership No. F-13729 Place: Coimbatore Date : 28th May, 2010</p>	<p>On behalf of the Board</p> <p>(sd...) SHYAMLAL AGARWALA Managing Director</p> <p>(sd...) MANOJKUMAR JHAJHARIA Joint Managing Director</p>
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SALONA COTSPIN LIMITED		
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010		
	31.03.2010	31.03.2009
	(Rs. in Lacs)	(Rs. in Lacs)
A Cash flow from operating activities:		
Net Profit before taxation and extra ordinary items	262.03	112.58
Adjustments for:		
Depreciation	447.15	436.07
Deferred Expenses written off	6.19	6.19
Profit on sale of fixed assets	0.00	-3.17
Profit on sale of Investments	-1.12	0.00
Interest and financial charges paid	284.86	259.47
Dividend Income	-0.19	-0.15
Interest receipts	-14.07	-10.94
Direct Taxes	-107.35	-16.79
Operating profit before working capital changes	877.49	783.26
Adjustments for working capital changes		
(Increase)/Decrease in Current Assets/Loans & Advances		
Inventories	-942.69	39.90
Sundry Debtors	-53.66	-100.36
Loans and Advances	-38.57	136.30
Other Current Assets	45.45	-23.60
Increase/(Decrease) in Current Liabilities/Provisions		
Current Liabilities	261.81	-44.71
Provisions	63.11	-77.30
Net cash from operating activities	212.94	713.48
B Cash flow from investing activities:		
Dividend Income	0.19	0.15
Interest receipts	14.07	10.94
Sale of Investments	1.20	0.00
Purchase of Fixed Assets	-1261.17	-19.76
Advance for Capital Goods	0.00	-0.65
Deferred Revenue Expenditure	0.00	0.00
Sale of Fixed Assets	0.00	3.60
Net cash from investing activities	-1245.71	-5.71
C Cash flow from financing activities:		
Increase/(Decrease) in Secured Loan	1425.06	-308.78
Increase/(Decrease) in Unsecured Loan	-53.25	-62.40
Interest and financial charges paid	-284.86	-259.47
Increase In share Capital	0.00	1.32
Net cash from financing activities	1086.95	-629.34
Net increase/(decrease) in cash & cash equivalents	54.18	78.43
Cash & cash equivalents at the beginning of the year	151.69	73.26
Cash & cash equivalents at the close of the year	205.87	151.69
	54.18	78.43

Cash & Cash equivalents at the close of the year comprise of		
Cash on hand	5.07	2.33
Cash at bank in current accounts	99.20	98.52
Cash in Deposit Accounts	101.60	50.85
	205.87	151.69
As per our Report of Even date attached for V K S AIYER & CO Chartered Accountants	On behalf of the Board	
	<i>(sd...)</i>	
	SHYAMLAL AGARWALA	
	Managing Director	
<i>(sd...)</i>		
V.S. SRINIVASAN	<i>(sd...)</i>	
Partner	MANOJKUMAR JHAJHARIA	
Membership No. F-13729	Joint Managing Director	
Place: Coimbatore		
Date : 28th May,2010		

SALONA COTSPIN LIMITED

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS:

Registration No.	181-4797
State Code	18
Company Unique Identification No.	L171111TZ1994PLC004797
Balance Sheet date	31.03.2010
Date of Previous AGM	24.09.2009
Date of Current AGM	13.09.2010

II CAPITAL RAISED DURING THE YEAR (Rs. In 000's)

Public Issue	--
Rights Issue	--
Bonus Issue	--
Private Placement	--

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs.in 000's)

Total Liabilities	654577
Total Assets	654577

Sources of Funds (Rs.)

Paid-up Capital	53289
Reserves & Surplus	83496
Deferred Tax Liability	40590
Secured Loans	424082
Unsecured Loans	53121

Application of Funds (Rs.)

Net Fixed Assets	372598
Investments	278
Net Current Assets	277985
Miscellaneous Expenditure	3716

IV PERFORMANCE OF COMPANY (Rs. In 000's)

Total Turnover	554456
Total Expenditure	528254
Profit Before Tax	26203
Profit After Tax	22574
Earning per share in Rs.	4.29
Dividend rate	10.00%

Generic names of three principal products/services of company(as per monetary terms):-

Items code No. (ITC Code)	Product Description
5205.21.01	Cotton Yarn in Cones
6002.92.09	Hosiery Fabrics

ON BEHALF OF THE BOARD

Place: COIMBATORE	(sd...)	(sd...)
Date : 28th May,2010	SHYAMLAL AGARWALA	MANOJKUMAR JHAJHARIA
	Managing Director	Joint Managing Director

