

SALONA COTSPIN LIMITED

SEVENTEENTH ANNUAL REPORT 2010-2011

BOARD OF DIRECTORS

Sri Shyamlal Agarwala	Managing Director
Sri Manoj Kumar Jhajharia	Joint Managing Director
Sri G. V. S. Desikan	Director
Sri Mahesh Agarwal	Director
Sri Dulichand Pansari	Director
Sri SP. Sekar	Director

AUDITORS

M/s. VKS AIYER & CO,
Chartered Accountants
Mecheri Manor
No.2, S.R. Iyer Layout
Near AIR, Trichy Road
Coimbatore – 641 045

BANKERS

Union Bank of India
The Catholic Syrian Bank Limited
State Bank of India
Oriental Bank of Commerce
Axis Bank

REGISTERED OFFICE

SF No.74/12 & 75/3, Sathy Road
Pungampalli Village, Valipalayam Post
Sathyamangalam – 638 402
Erode District, Tamil Nadu

ADMINISTRATIVE OFFICE

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

REGISTRAR & SHARE TRANSFER AGENTS

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

WIND MILLS

Panakudi Village, Radhapuram Taluk
Sinjuvadi Village, Pollachi Taluk
Vadambhacherri Village, Palladam Taluk
Kozhumankondan Village, Palani Taluk

SALONA COTSPIN LIMITED

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Thursday day, the 8th day of September, 2011 at 10.30 A.M at the Registered Office of the Company at S.F. No.74/12 & 75/3, Sathy Road, Pungampalli Village, Valipalayam Post, Sathy Taluk, Erode District, Pin - 638 402 to transact the following business.

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011, Profit and Loss Account for the year ended on that date, the Reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in the place of Sri G. V. S. Desikan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri Dulichand Pansari, who retires by rotation and being eligible, offers himself for re-appointment.
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 resolutions as an Ordinary Resolution:

RESOLVED THAT consent be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Sri Manoj Kumar Jhajharia as Joint Managing Director of the Company for a further period of five years from 01.07.2011 to 30.06.2016 on the following terms and conditions:

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.

SALONA COTSPIN LIMITED

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) per annum.

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

FURTHER RESOLVED THAT Sri Manoj Kumar 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.

7. To consider and if thought fit to pass with or without modification, the following resolutions as a Special Resolution:

RESOLVED THAT subject to approval of shareholders of the Company to be accorded under Section 314 and other applicable provisions if any, of the Companies Act 1956, Sri Pramod Kumar Jhajharia be and is hereby paid remuneration with effect from 1st April 2010 and that Sri Pramod Kumar Jhajharia, in consideration of his services as Chief Executive be paid the following remuneration:-

I. SALARY: Rs.45,000/- (Rupees Forty Five Thousand only) per month.

II. PERQUISITES:

In addition to the Salary, Sri Pramod 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.

FURTHER RESOLVED THAT Sri. Pramod Kumar Jhajharia as Chief Executive is 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.

Note:

1. Explanatory Statement as required under Section 173 (2) of the Companies Act 1956 is enclosed.
2. A member entitled to vote, is entitled to appoint a proxy to attend and vote instead of himself, the proxy need not be a member of the Company. Proxies in order to be effective should reach the Registered Office of the Company before 48 hours of the commencement of the Annual General Meeting.

SALONA COTSPIN LIMITED

- Members are requested to bring their copy of the Annual Report and duly filled attendance slip with them to the Annual General Meeting.
- Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Director is provided in the Annexure to the notice.
- The Register of Members and the Share Transfer Books of the Company will remain closed from 06.09.2011 to 08.09.2011 (Both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.
- The equity dividend if declared will be paid to those members whose names appear on the Register of Members of the company as on 08.09.2011. In respect of dematerialized shares dividend will be paid on the basis of beneficial ownership furnished by the National Securities Depository Limited and Central Depository Services (India) Limited at the end of the business hours on 08.09.2011.
- The Company has transferred unclaimed dividends up to the financial year ended 31st March 2003 to General Revenue Account / Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 2003-2004 and thereafter remaining unclaimed for a period of 7 years will be transferred to Investor Education and Protection Fund as required under the Companies Act 1956 on the respective due dates; upon such transfer no claim lie against the company or the Central Government for such unclaimed dividend.

The year wise amount of unclaimed dividend is given below:

Sl. No.	Financial Year	Date of Declaration	Amount of Dividends remaining unclaimed	Due date for transfer to IEPF
1	31 st March, 2004	16.09.2004	1,08,194.00	14 th October, 2011
2	31 st March, 2005	28.09.2005	99,245.00	26 th October, 2012
3	31 st March, 2006	27.09.2006	1,26,605.00	25 th October, 2013
4	31 st March, 2007	22.09.2007	1,57,282.00	20 th October, 2014
5	31 st March, 2010	13.09.2010	2,68,721.00	11 th October, 2017

- Members are requested to intimate the change of address, if any, quoting their registered folio number to the Company. Members are requested to intimate including their DPID / Client ID the change of address if any in their address, Bank particulars to their respective Depository Participant (DP) in case the shares are held in demat form.
- The Companies (Amendment) Ordinance, 1999 has provided for a nomination facility for the shares held in a Company. The Nomination Form 2B along with instructions will be provided to the members on request. Interested members are requested to write to the Shares Department at the Registered Office of the Company.
- Members have option to hold their shares in dematerialized form through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN Number allotted to the Company is INE498E01010.

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RE-APPOINTMENT OF DIRECTORS:

A brief resume in respect of the proposed re-appointment of Director is given below in terms of Clause 49 of the Listing Agreement:

Name of the Directors	Sri G. V. S. Desikan	Sri Dulichand Pansari
Date of Birth and Age	78 Years	72 Years
Qualification	B.Sc., B.Sc. (Tech)	Intermediate
Date of Appointment	23.02.1995	23.02.1995
Experience in specific functional areas	More than 56 years of experience in Industries	More than 50 years of experience in Textile and General Management
Directorship held in other Public Companies	4	Nil
Memberships / Chairmanships of Committee across public Companies	3	1
No of Equity Shares held	1000	55500

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No.6

As recommended by the Remuneration Committee, Sri Manoj Kumar Jhajharia has been reappointed as Joint Managing Director for a further period of five years with effect from 01.07.2011 at the Board meeting of the Company held on 28.05.2011 as his period of appointment expires on 30-06-2011 on such remuneration and perquisites and other terms and conditions as set out in the resolution.

Sri Manoj Kumar Jhajharia has rich experience in the varied fields of technical, financial, marketing and overall administration of the Company and his continued efforts are still more required to take the Company to greater heights.

The proposed re-appointment, remuneration and perquisites are within the limits prescribed in the Schedule XIII of the Companies Act, 1956 and require the approval of the Shareholders as per the provisions of the Companies Act, 1956. Accordingly, the resolution set out in Item no. 6 is recommended by the Remuneration Committee and the Board of Directors for approval of this General Meeting.

Sri Manoj Kumar Jhajharia may be deemed to be personally concerned or interested in the above appointment as it relates to his appointment and remuneration.

This may also be treated as a Memorandum issued pursuant to provision of Section 302 of the Companies Act, 1956.

Sri Shyamlal Agarwala and Sri Mahesh Kumar Agarwal Directors of the Company as relatives of the appointee are interested on the said resolution.

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Item No.7

Sri Pramod Kumar Jhajharia has been appointed as Chief Executive of the Company and his Salary has been revised from Rs.9000/- to such remuneration and perquisites as set out in the resolution with effect from 01.04.2010 at the Board meeting of the Company held on 29.10.2010.

Sri Pramod Kumar Jhajharia has rich experience in the varied fields of technical, financial, marketing and overall administration of the Company and his continued efforts are still more required to take the Company to greater heights.

Accordingly, the resolution set out in Item no. 7 is recommended by the Remuneration Committee and the Board of Directors for approval of this General Meeting.

Sri Pramod Kumar Jhajharia may be deemed to be personally concerned or interested in the above appointment as it relates to his appointment and remuneration.

Sri Shyamlal Agarwala and Sri Manoj Kumar Jhajharia Directors of the Company as relatives of the appointee are interested on the said resolution.

FOR AND ON BEHALF OF THE BOARD



SHYAMLAL AGARWALA

Chairman

Place : Coimbatore

Date : 28th May, 2011

SALONA COTSPIN LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

To

The Members

Your Directors have great pleasure in presenting their Seventeenth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2011.

Working Results

Details	(Rupees in Lacs)	
	31.03.2011	31.03.2010
INCOME		
Sales and Other operating Receipts	7961.93	5528.99
Other Income	22.12	15.58
Total	7984.05	5544.57
Gross Profit before interest, depreciation and tax	1652.46	994.03
Less: Interest	459.89	284.86
Profit after interest, but before depreciation and tax	1192.57	709.17
Less: Depreciation	594.04	447.14
Add: Prior Year Adjustments	0.07	0.00
PROFIT BEFORE TAX	598.60	262.03
Less: Provision for Income Tax - Current Tax	121.35	45.99
Less: Deferred Tax Liability	30.10	0.00
Add: Deferred Tax Liability Reversed	0.00	9.70
NET PROFIT AFTER TAX	447.15	225.74
Add: Opening Surplus	834.96	670.58
Total Profit available for appropriation	1282.11	896.32
APPROPRIATION		
The above Profit is proposed to be appropriated as stated below:		
Proposed Dividends & Tax on Dividend	61.16	61.36
Surplus Carried over to Balance Sheet	1220.95	834.96
TOTAL	1282.11	896.32

DIVIDEND:

Your Directors are pleased to recommend a dividend of 10 % for the year ended 31st March 2011. The total outgo in the form of dividend including corporate dividend tax will be to the extent of Rs. 61.16 Lacs.

REVIEW OF OPERATIONS:

During the year under review, the Sales turnover increased to Rs. 7936.03 Lacs as against Rs.5485.56 Lacs in the previous year due to increase in capacity to 24336 spindles and increase in cotton and Yarn prices. On account of increase in spindles capacity, the yarn production increased to 38.77 Lacs Kgs, as against 36.81 Lacs Kgs in last year. The Mill has produced knitted fabrics of 17.04 Lacs Kgs as against 19.59 Lacs Kgs in last year. There was power cut and frequent power interruptions which affected the spinning production during the year. The Wind Mill generated 84.62 Lacs units of wind electricity as against 55.73 Lacs unit in the previous year. The wind electricity was captively consumed by use in the Textile Mill.

OUT LOOK FOR THE IMMEDIATE FUTURE:

Due to steep increase in Cotton prices and poor demand for Yarn & fabrics sales on account of closure of dyeing units in Tirupur due to Pollution Control Problem, the off take of finished products slackened. The company hopes that the newly established Government of Tamilnadu will take necessary steps to find out suitable solution to solve the problems of the dyeing units in near future. Moreover your Company has been pursuing cost reduction and efficiency improvements in productions and hence, it is optimistic to perform still better in the coming years.

FINANCES:

During the year under review, the Reserves and Surplus, representing the credit balance in the Profit and Loss account stood at Rs. 1220.95 Lacs (Rs. 834.96 Lacs.) The Liability for interest free sales Tax deferred credit stood at Rs.437.17 Lacs. (Rs. 531.21 Lacs). The Company met all financial commitments to the Bankers on account of Term Loan and Working Capital Credit.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

The Company sends letters to all shareholders whose dividends are unclaimed so as to ensure that they receive their rightful dues. Efforts are also made in co-ordination with the Registrar to locate the shareholders who have not claimed their dues.

During the year, the Company has transferred a sum of Rs. 95,175/- to investor Education & Protection Fund, the amount which was due & payable and remained unclaimed for a period of seven years, as provided in Section 205C(2) of the Companies Act, 1956. Despite the reminder letters sent to each shareholder, this amount remained unclaimed and hence was transferred.

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FIXED DEPOSITS:

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

INDUSTRIAL RELATIONS:

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 in accordance with clause (e) of sub-section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2011 is given in Annexure of this report.

During the period under review, the Company had no employee covered under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS:

In accordance with the provisions of the companies Act, 1956, Sri G. V. S. Desikan and Sri Dulichand Pansari Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for reappointment. The Directors recommend their appointment. The details as required under clause 49 of the listing Agreement is attached.

The tenure of office of Shri Manoj Kumar Jhajharia as Joint Managing Director will expire on 30.06.2011. The Board of Directors, at their meeting held on 28.05.2011, re-appointed Shri Manoj Kumar Jhajharia, for a further period of five years, on the same remuneration. The re-appointment and terms of remuneration is subject to approval of shareholders, for which a special business is included in the notice convening the 17th Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- a) that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that your Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

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- c) that your 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;
- d) that your Directors had prepared the annual accounts on a going concern basis.

AUDITORS:

Your Company's Auditors M/s. VKS Aiyer & Co., Chartered Accountants, Coimbatore will retire at the ensuing Annual General Meeting and they are eligible for re-appointment.

COST AUDITOR:

The Company has re-appointed Sri M.Nagarajan, Cost Accountant as the Cost Auditor of the Company for the year 2011-12 subject to the approval of the Central Government.

CORPORATE GOVERNANCE:

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

LISTING:

The equity shares of the Company are listed and traded in the Stock Exchanges of Coimbatore, Chennai, Ahmadabad and Calcutta and the Company has paid the annual listing fees to Stock Exchanges for the financial year 2010-11.

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

The NSE has admitted the Securities of our Company for dealings on the **National Stock Exchange** (Capital Market Segment) with effect from 9th August, 2010.

Members have option to hold their shares in dematerialized form through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). **The ISIN of the Company is INE498E01010.**

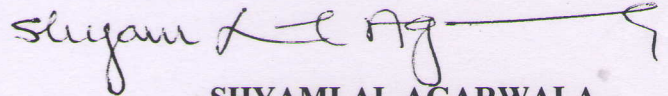
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ACKNOWLEDGEMENT:

The Directors wish to place on record their gratitude to State Bank of India ,Union Bank of India, Oriental Bank of Commerce, Axis Bank 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.

FOR AND ON BEHALF OF THE BOARD



SHYAMLAL AGARWALA
Chairman

Place: Coimbatore

Date : 28th May, 2011

SALONA COTSPIN LIMITED

ANNEXURE TO THE DIRECTORS REPORT

Information pursuant to the Companies (Disclosures of particulars in the report of the Board of Directors) rules 1988 in the terms of section 217 (1)(e) of the Companies Act, 1956.

1. (A) CONSERVATION OF ENERGY:

Particulars of energy consumption and energy consumption per unit of production are furnished below:

Power and Fuel Consumption	Current Year 2010 – 2011	Previous Year 2009 – 2010
1. <u>ELECTRICITY:</u>		
(a) Purchased:		
Units	10864440	8905240
Total Amount (Rs.)	54070876	37881978
Rate per Unit (Average)	4.98	4.25
(b) Own Generation:		
Through Diesel Generator		
Units (KWH)	1356856	1509207
Consumed (Litres)	375180	423839
Total amount (Rs.)	12672442	12735498
Unit per Litre. of Diesel (KWH)	3.62	3.56
Cost per Unit (Rs.)	9.34	8.44
2. COAL	Not Applicable	Not Applicable
3. FURNACE OIL	Not Applicable	Not Applicable
4. OTHERS / INTERNAL GENERATION:		
Wind Electricity through own WEG's (Unit)	8461484	5572872
Total Amount (Rs.)	32129116	19505051
5. Consumption per unit of Production:		
Production in Kgs	3877103	3681370
Electricity Units	12221296	10414447
Unit/Kg of Yarn	3.15	2.83

SALONA COTSPIN LIMITED

(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) RESEARCH AND DEVELOPMENTS:

The Company does not have any research and Development Wing.

2. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

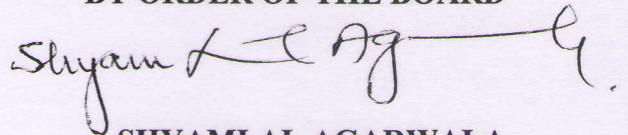
For consistent production of higher quality of products besides having State of the Machinery and Equipments, the manufacturing units are equipped with well trained personnel and high tech quality control equipments.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

EARNED	Rs. In Lacs	Rs. In Lacs
Total Foreign exchange earned:-		
F.O.B. Value of Exports of Finished and Traded goods	1287.22	321.44
USED		
Remittance in Foreign exchange:-		
Purchase of Capital goods, Spares, Commission on Exports and interest on FCL	204.31	41.72

Place: COIMBATORE
Date : 28th May, 2011

BY ORDER OF THE BOARD



SHYAMLAL AGARWALA
Chairman

SALONA COTSPIN LIMITED

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure and Developments: The present scenario in the Textile industry is quite sluggish on account of spiralling cotton prices and reduced movement of finished products (Yarn & Fabrics) with mismatch of selling prices to that of cost price. The cost of raw materials, human resources and power have increased during the year. Due to power cut & frequent power interruption, 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. Due to volatility of cotton prices, profitability may not be sustained.

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 up-gradation 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.

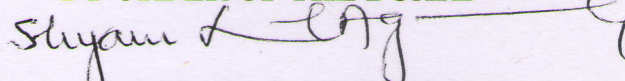
Risks and Concerns: The key raw material for our industry is cotton and major area under cotton cultivation is rain-fed and hence it is dependent on vagaries of monsoon. Adequate availability of raw cotton is crucial for the company. Any disruption in the supply and / or violent changes in the cost structure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

Internal Control system 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.447.15 Lacs (Previous year Rs.225.74 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



SHYAMLAL AGARWALA
Chairman

Place: Coimbatore
Date: 28th May, 2011

SALONA COTSPIN LIMITED

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

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

The Company's philosophy on Corporate Governance envisages the endeavour 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 6 (Six) Directors viz., one Chairman cum Managing Director, one Joint Managing Director both of whom represent Promoters; of the remaining Four Directors, three are Non-Executive Independent Directors, who bring in a wide range of skills and experience to the Board and has no business relationship with the Company. The number of independent directors is one-half of the total number of Directors. It also ensures a balanced combination of Executive and Non Executive Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

B) Ceiling of Directorship/Committee position

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

C) Board Meeting and General Meeting:

The Board met 6 (Six) times during the financial year on the dates mentioned below:

1) 03.05.2010	2) 28.05.2010	3) 06.08.2010
4) 29.10.2010	5) 02.02.2011	6) 28.02.2011

The Annual General Meeting for last year was held on 13.09.2010. The gap between two meetings did not exceed four months. The information as required under Annexure-IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings.

SALONA COTSPIN LIMITED

The attendance record of the each Director at the Board Meetings and at the last Annual General Meeting is given below:

Directors Name	No. of Board Meeting attended	Last AGM Attended Yes / No	No. of Directorship held in other Companies	No of Board Committee Member-ships held in Other Companies	
				As Chairman	As Member
Sri Shyamlal Agarwala Managing Director	6	Yes	1	1	1
Sri Manoj Kumar Jhaharia Joint Managing Director	6	Yes	1	Nil	2
Sri G. V. S. Desikan	6	Yes	7	3	2
Sri Mahesh Kumar Agarwal	2	Yes	2	Nil	Nil
Sri Dulichand Pansari	1	Yes	Nil	Nil	Nil
Sri SP. Sekar	6	Yes	2	Nil	1

*No Extra Ordinary General Meeting held during the year.

D) COMMITTEES OF BOARD:

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals and evaluation of performance and control function vest with the Board. The Board has constituted four committees, namely, Audit Committee, Remuneration Committee, Share Transfer Committee and Investors Grievances Committee.

3. AUDIT COMMITTEE:

A) Composition, Names of members and Chairperson:

The Audit Committee members are, Sri G.V.S. Desikan, Sri Mahesh Kumar Agarwal and Sri SP.Sekar

The role of the Audit Committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies and annual statements before submission to the Board and other related aspects as per the guidelines of Clause 49 and other applicable clauses of the Listing Agreement.

Except Sri Mahesh Kumar Agarwal, all the members are Non Executive and Independent Directors. Sri G.V.S.Desikan, Non-Executive Independent Director, is the Chairman of the Committee and has good financial and accounting knowledge. The Audit Committee met four times during the year under review, on the following dates:

(1) 28.05.2010, (2) 06.08.2010, (3) 29.10.2010, (4) 02.11.2011

SALONA COTSPIN LIMITED

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.
- (5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (7) 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.
- (8) Discussion with internal auditors any significant findings and follow up thereon.

SALONA COTSPIN LIMITED

- (9) 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.
- (10) 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.
- (11) 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.

4. Remuneration Committee:

The Board of Directors have constituted a remuneration committee to suggest suitable remuneration package payable to managerial and non managerial personnel from time to time. The following directors are the member of the committee:

1. Sri G.V.S. Desikan - Chairman
2. Sri Dulichand Pansari - Member
3. Sri Mahesh Agarwal - Member
4. Sri SP.Sekar - Member

Executive Directors, their business interest & remuneration paid:

Name of the Directors	Relationship with other Director	Business relationship with the company if any	Remuneration paid / Payable during 2010-2011 (Rs.)		
			Salary & Perquisites	Commission	Total
1. Shyamlal Agarwala, Managing Director	Father of Joint Managing Director	Promoter	13,41,692	5,98,530	19,40,222
2. Manoj Kumar Jhaharia, Joint Managing Director	Son of Managing Director	Promoter	12,15,923	--	12,15,923

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

SALONA COTSPIN LIMITED

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.15,000
2.	Sri SP.Sekar	Non Executive Independent	Rs.11,000
3.	Sri Mahesh Kumar Agarwal	Non Executive Non Independent	Nil
4	Sri Dulichand Pansari	Non Executive Independent	Nil

5. SHAREHOLDERS GRIEVANCE COMMITTEE:

The role is to redress the grievances of shareholders complaints for transfer / transmission of shares; complaints of shareholders are attended without delay and are dealt within a month's time.

The members of the Committee are Sri Shyamlal Agarwala, Sri Manoj Kumar Jhajharia and Sri G.V.S. Desikan.

The Chairman of the Committee is Sri G.V.S. Desikan. The Committee met four times during the year under review as under:

(1) 28.05.2010, (2) 06.08.2010, (3) 29.10.2010 (4) 02.11.2011

NO OF COMPLAINTS RECEIVED FROM SHAREHOLDERS DURING THE FINANCIAL YEAR:

- a. Number of Complaints received from Shareholders : Nil
- b. Number of Complaints not solved : Nil
- c. Number of pending Transfers : Nil
- d. Compliance Officer : Sri. Manoj Kumar Jhajharia
Joint Managing Director

Code of Conduct

The Board of Directors has adopted a Code of Conduct and Ethics ("the Code") to help ensure compliance with the legal requirements and standards of business conduct. The purpose of the Code is to deter wrong doing and promote ethical conduct.

The Code applies to all Directors and members of Senior Management of the Company. All Board Members and personnel of the Senior Management of the company have affirmed compliance with the Code. A declaration to this effect, signed by the Managing Directors is annexed. The Company has posted the code in its website.

SALONA COTSPIN LIMITED

6. ANNUAL GENERAL MEETINGS:

a) Particulars of past three Annual General Meeting:

A.G.M	YEAR	VENUE	DATE	TIME
14 th	2008	Registered Office at Pungampalli	11.09.2008	10.30AM
15 th	2009	Registered Office at Pungampalli	24.09.2009	10.30AM
16 ^h	2010	Registered Office at Pungampalli	13.09.2010	10.30AM

b) Postal Ballot:

The Company did not have any special resolutions to put through postal ballot during the last three years. The Company does not have any proposal to pass any Special Resolution by way of Postal Ballot.

7. DISCLOSURES:

- a. During the year, there were no transactions of material nature, with its Promoters, the Directors and the Management, their relatives or subsidiaries etc. that may have potential conflict with the interests of the Company at large.
- b. The Audit Committee is periodically briefed of related party transactions entered into by the company in the ordinary course of business.
- c. The senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that may have a potential conflict with the interest of the company at large.
- d. There were no instances of non-compliance, penalties and strictures imposed on the Company by the Stock exchanges or SEBI or any Statutory Authority, on any matter related to capital markets during the last three years.
- e. The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 while preparing the Financial Statements..
- f. Managing Director and CFO have certified to the Board in accordance with Clause 49 V of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31st March 2011.

Nomination Facility

The Company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any shareholder, who is desirous of making a nomination, is requested to contact the share department at the registered office of the company or the Registrar and Share Transfer Agents. Nomination is only optional and can be cancelled or varied by the shareholder at any time.

SALONA COTSPIN LIMITED

8. MEANS OF COMMUNICATION:

- a. The Quarterly / Half yearly unaudited financial results and the annual audited financial results together with the relative notices are published in Newspapers, both in English and in Vernacular Language (Tamil) and the immediate transmission of data's are also made to Stock Exchanges as per the listing Agreement.
- b. The printed Annual Report containing, inter alia, Audited Annual Accounts, Director's Report, Auditor's Report, the Management Discussion and Analysis report, which forms part of the Annual Report and Cash flow Statements etc., are being dispatched to individual shareholders.
- c. The financial results are also accessible on the Company's website www.salonagroup.com

9. GENERAL SHAREHOLDERS INFORMATION:

(i) Annual General Meeting:

The Seventeenth Annual General Meeting of the Company will be held on Thursday, the 8th September, 2011 at 10.30 AM at the Registered Office of the Company at S.F.No.74/12 and 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu.

(ii) Name of the Compliance Officer : Sri. Manoj Kumar Jhajharia,
Joint Managing Director.

(iii) Financial Year : 12 months ending 31.03.2011

(iv) Date of Book Closure: : 06.09.2011 to 08.09.2011 (Both days inclusive)

The Register of Members and Share Transfer Books of the Company will remain closed from 06.09.2011 to 08.09.2011 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.

(v) Financial Calendar (Tentative):

1	Publication of unaudited financial results for the quarter ended 30.6.2011	2 nd week of August 2011
2	Publication of unaudited financial results for the quarter ended 30.9.2011	2nd week of November 2011
3	Publication of unaudited financial results for the quarter ended 31.12.2011	2nd week of February 2012
4	Publication of unaudited financial results for the quarter ended 31.3.2012	Last week of May 2012 in case of Audited and 2 nd week of May 2012 in case of unaudited Financial results.
5	Annual General Meeting	8 th September 2011

The Company's shares are listed in Coimbatore, Chennai, Ahmadabad and Calcutta Stock Exchanges. The Company's shares are permitted for Trading in BSE Indonext segment of

SALONA COTSPIN LIMITED

Bombay Stock Exchange Limited with effect from 5th July, 2006 and as per the Strategic agreement / arrangement made by the Madras Stock Exchange Limited, the NSE has admitted the Securities of our Company to dealings on the **National Stock Exchange** (Capital Market Segment) with effect from 9th August, 2010 and all the shareholders are requested to make use of this facility.

(vi) Market Price data:

Month	Salona Cotspin Limited		BSE Sensex	
	High	Low	High	Low
April 2010	14.05	9.94	18047.86	17276.80
May 2010	16.43	10.60	17536.86	15960.15
June 2010	16.40	13.05	17919.62	16318.39
July 2010	18.45	14.00	18237.56	17395.58
August 2010	26.70	16.00	18475.27	17819.99
September 2010	32.00	26.25	20267.98	18207.12
October 2010	31.30	26.75	20854.55	19768.96
November 2010	41.30	29.90	21108.64	18954.82
December 2010	35.50	29.50	20552.03	19074.57
January 2011	34.00	27.05	20664.80	18038.48
February 2011	32.00	26.05	18690.97	17295.62
March 2011	32.95	27.25	19575.16	17792.17

(vii) The Company has appointed Registrars & Share Transfer Agents for physical and demat segment. The Name and Address is given below:

M/s. S K D C Consultants Limited
 Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road,
 Ganapathy, Coimbatore – 641 006
 Phone No: 0422-6549995
 Fax No: 0422-2539837
 e mail – info@skdc-consultants.com
 Contact person: Mr. Marimuthu, Manager

(viii) Share Transfer Systems:

All transfers received are processed by the Registrars and Share transfer agents and are approved by the Share Transfer Committee. Share transfers are registered and returned to the shareholders within the stipulated time if the documents are in order.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Company.

Pursuant to SEBI (Depositories and Participant's) Regulations 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialization of shares of the company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the company.

(ix) Dematerialisation of shares:

As on 31.03.2011, 12,87,000 shares constituting 24.46% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

SALONA COTSPIN LIMITED

(x) Distribution of Shareholding :

No of Shares held	No of Share-holders	% of Share-holders	No of Shares	% of Share-holding
1-500	976	62.17	330573	6.28
501-1000	297	18.92	280862	5.34
1001-2000	138	8.79	223292	4.24
2001-3000	47	2.99	126371	2.40
3001-4000	19	1.21	66926	1.27
4001-5000	15	0.96	70644	1.34
5001-10000	30	1.91	230939	4.39
Above 10000	48	3.06	3932793	74.73
TOTAL	1570	100.00	5262400	100.00

(xi) Category –wise distribution of Shareholding :

Sl. No.	Category	No of Shares	Percentage
	Promoter's Holding		
1.	Promoters	2682600	50.977
2.	Persons acting in concern	400000	7.601
	Sub Total	3082600	58.578
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies.	38500	0.732
	Sub Total	38500	0.732
	Others		
4.	Private Corporate Bodies	478963	9.102
5.	Indian Public	1659852	31.588
6.	NRI's / OCB's	2485	0.047
	Sub Total	2141300	40.690
	Total	5262400	100.00

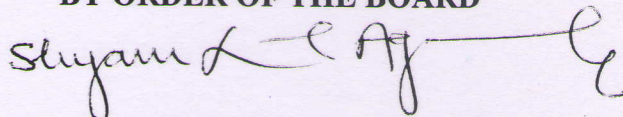
(xii) Company Plants:

The Company's plant (Textile Mill) is located at SF No.74/12 and 75/13, Sathy Main Road, Pungampalli Village, Valipalayam (Post), Sathy TK, Erode District.

(xiii) Address for Correspondence:

Administrative Office : 9, Ramalinga Nagar, IV Cross
Saibaba Colony. Coimbatore 641 011 Tamilnadu

BY ORDER OF THE BOARD



SHYAMLAL AGARWALA
Chairman

Place: Coimbatore
Date: 28th May, 2011

SALONA COTSPIN LIMITED

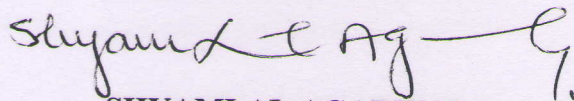
CORPORATE GOVERNANCE- NON MANDATORY REQUIREMENTS – EXTENT ADOPTED

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 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.	Shareholders 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 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	At present, the Company does not have any such mechanism for evaluating the performance of Non-

SALONA COTSPIN LIMITED

	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	Executive Board Members.
7.	Whistle Blower Policy	The Company does not have a whistle Blower Policy.

BY ORDER OF THE BOARD

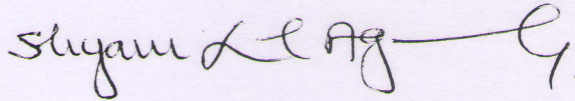

SHYAMLAL AGARWALA
Chairman.

Place : COIMBATORE
Date : 28th May, 2011

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


SHYAMLAL AGARWALA
Chairman

Place: Coimbatore
Date: 28th May, 2011

SALONA COTSPIN LIMITED

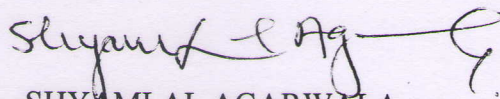
CEO AND CFO CERTIFICATION

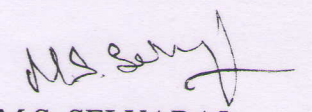
To the Board of Directors of SALONA COTSPIN LIMITED

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 2011 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 2010-11, which are fraudulent, illegal or violation 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, 2011


SHYAMLAL AGARWALA
Managing Director (CEO)


M.S. SELVARAJ
Manager - Accounts (CFO)

SALONA COTSPIN LIMITED

AUDITOR'S 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 2011, 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 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 31.03.2011 for a period exceeding one month.

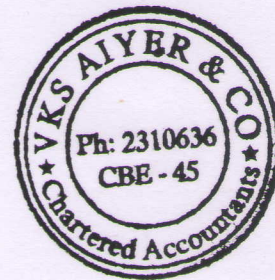
We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR VKS AIYER AND CO
Chartered Accountants
ICAI Firm Reg No.00066S



M. RAMESH NATARAJAN
Partner
Membership No.200/23443

Place : COIMBATORE
Date : 28th May, 2011



SALONA COTSPIN LIMITED

V K S AIYER AND CO

Auditors' Report

To the Members,

SALONA COTSPIN LIMITED

We have audited the attached Balance Sheet of **SALONA COTSPIN LIMITED** as at 31st March 2011 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 2011, 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

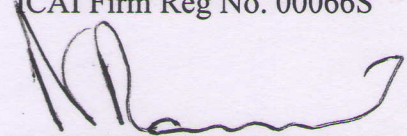
SALONA COTSPIN LIMITED

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:

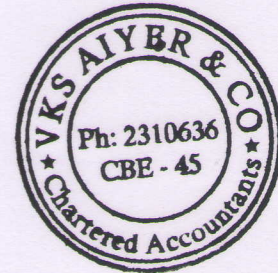
- (i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
- (ii) In so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date;

Place: COIMBATORE
Dated: 28th May, 2011

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



N.RAMESH NATARAJAN
PARTNER
Membership No. 200/23443



SALONA COTSPIN LIMITED

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.
- b) The fixed assets have been physically verified by the management during the year in accordance with a regular programme of verification which, in our opinion, provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such physical verification.
- c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company.

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 services. During the course of our audit, we have not observed any major weaknesses in internal controls.

5. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (e), (f) and (g) of clause 4(iii) of CARO are not applicable to the Company.

SALONA COTSPIN LIMITED

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, 2011 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.

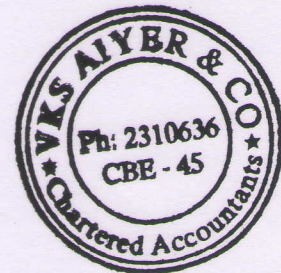
SALONA COTSPIN LIMITED

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


N. RAMESH NATARAJAN
PARTNER
Membership No. 200/23443

Place: COIMBATORE
Dated: 28th May, 2011



SALONA COTSPIN LIMITED

BALANCE SHEET AS AT 31ST MARCH 2011

	Sch. No.	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:-			
Share Capital	1	5 32 88 927	5 32 88 927
Reserves & Surplus	2	12 20 94 424	8 34 95 749
Total Shareholders Funds		17 53 83 351	13 67 84 676
DEFERRED TAX LIABILITY	3	4 36 00 000	4 05 90 000
LOAN FUNDS:-			
Secured Loans	4	54 65 58 457	42 40 81 793
Unsecured Loans	5	4 37 16 719	5 31 20 815
Total Loan Funds		59 02 75 176	47 72 02 608
		80 92 58 527	65 45 77 284
APPLICATION OF FUNDS:-			
FIXED ASSETS:			
Gross Block	6	67 70 82 109	63 11 20 619
Less: Depreciation		29 70 58 306	25 98 57 408
		38 00 23 803	37 12 63 211
Add: Capital Work-in-progress		3 41 596	13 35 036
Net Block		38 03 65 399	37 25 98 247
INVESTMENTS:-	7	2 77 920	2 77 920
CURRENT ASSETS, LOANS & ADVANCES:			
Inventories	8	38 77 96 421	19 01 89 266
Sundry Debtors	9	6 37 81 574	7 01 65 733
Cash & Bank Balances	10	1 74 15 382	2 05 87 425
Other Current Assets	11	71 35 558	77 59 318
Loans & Advances	12	2 16 65 914	3 45 86 572
	(A)	49 77 94 849	32 32 88 314
CURRENT LIABILITIES & PROVISIONS:			
a. Current Liabilities	13	6 14 30 349	3 87 80 256
b Provisions	14	1 08 45 643	65 22 562
	(B)	7 22 75 992	4 53 02 818
NET CURRENT ASSETS (A - B)	(C)	42 55 18 857	27 79 85 495
MISCELLANEOUS EXPENDITURE			
to the extent not written off or adjusted	15		
Deferred Revenue Expenditure		30 96 351	37 15 622
		80 92 58 527	65 45 77 284

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

N.RAMESH NATARAJAN
Partner
Membership No. 200/23443

Place: Coimbatore
Date : 28th May,2011

On behalf of the Board

Shyam Lal Agarwala
SHYAMLAL AGARWALA
Managing Director

Manoj Kumar Jhajharia
MANOJKUMAR JHAJHARIA
Joint Managing Director



SALONA COTSPIN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Sch. No.	Current Year	Previous Year
		As at 31st Mar.2011	As at 31st Mar.2010
		Rs.	Rs.
INCOME			
Sales & Other Operating Receipts	16	79 61 93 375	55 28 98 668
Other Income	17	22 12 390	15 57 745
		79 84 05 765	55 44 56 413
EXPENDITURE			
Raw Material Consumed	18	55 40 92 512	34 53 75 602
Purchase of Trading Goods - Yarn		4 74 27 340	76 91 044
Manufacturing Charges	19	5 23 36 415	5 04 46 660
Salaries, Wages and Other Benefits	20	1 89 71 679	1 67 96 420
Repairs & Maintenance	21	2 73 31 490	1 93 69 304
Remuneration to Directors	22	31 82 145	23 69 337
Administrative & Other Expenses	23	94 17 784	82 80 888
Selling and Distribution Expenses	24	1 75 27 250	78 48 330
		73 02 86 615	45 81 77 586
Add/Less : Change in stock of finished & semi finished goods	25	(97,126,678)	(3,124,449)
		63 31 59 937	45 50 53 137
PROFIT BEFORE INTEREST & DEPRECIATION		16 52 45 828	9 94 03 276
Interest & Finance Charges	26	4 59 89 242	2 84 85 880
PROFIT BEFORE DEPRECIATION		11 92 56 586	7 09 17 396
Depreciation		5 94 03 623	4 47 14 542
		5 98 52 963	2 62 02 854
PROFIT FOR THE YEAR BEFORE TAX		5 98 52 963	2 62 02 854
Add Excess Provision For Taxes Written Back		6 804	
		5 98 59 767	2 62 02 854
LESS:			
Provision for Taxation For The Year			
Current Year-Income Tax		1 21 35 000	45 99 000
Fringe Benefit Tax			
Deferred Tax Liability Recognised		58 10 000	0
ADD: Deferred Tax			
Deferred Tax Asset Reversed		28 00 000	9 70 000
		4 47 14 767	2 25 73 854
NET PROFIT AFTER TAX		4 47 14 767	2 25 73 854
Add: Surplus Brought Forward		8 34 95 749	6 70 58 314
		12 82 10 516	8 96 32 168

	Sch. No.	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
APPROPRIATIONS:			
Proposed Dividends		52 62 400	52 62 400
Corporate Tax On Proposed Dividends		8 53 693	8 74 019
Surplus carried Over to Balance Sheet		12 20 94 424	8 34 95 749
		12 82 10 516	8 96 32 168
Earnings per share (Basic & Diluted) Rs.	Rs	8.50	4.29
Nominal Value Per Share	Rs	10.00	10.00

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

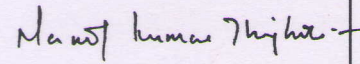
As per our Report of Even date attached
for V K S AIYER & CO
Chartered Accountants


N.RAMESH NATARAJAN
Partner
Membership No. 200/23443

Place: Coimbatore
Date : 28th May,2011

On behalf of the Board


SHYAMLAL AGARWALA
Managing Director


MANOJKUMAR JHAJHARIA
Joint Managing Director



SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2011

	Current Year As at 31st Mar.2011 Rs.	Previous year As at 31st Mar.2010 Rs.
SCHEDULE No.1		
SHARE CAPITAL:-		
AUTHORISED 6000000 Equity Shares of Rs.10/- each	6 00 00 000	6 00 00 000
ISSUED, SUBSCRIBED & PAID UP: 5262400 (5262400) Equity Shares of Rs.10/- each	5 26 24 000	5 26 24 000
Less: Calls in Arrears (other than directors)	6 64 927	6 64 927
Add: Forfeited Shares	5 32 88 927	5 32 88 927
SCHEDULE No.2		
RESERVES & SURPLUS		
SURPLUS Balance In Profit & Loss Account after appropriation	12 20 94 424	8 34 95 749
	12 20 94 424	8 34 95 749
SCHEDULE No.3		
DEFERRED TAX		
DEFERRED TAX LIABILITY:		
Opening Balance	4 90 52 000	5 00 22 000
Add: Recognized During The Year	58 10 000	0
	5 48 62 000	5 00 22 000
Less:Reversed During The Year	0	9 70 000
	5 48 62 000	4 90 52 000
DEFERRED TAX ASSET:		
Opening Balance	84 62 000	84 62 000
Add: Recognized During The Year	28 00 000	0
	1 12 62 000	84 62 000
Less:Reversed During The Year	0	0
	1 12 62 000	84 62 000
NET DEFERRED TAX LIABILITY	4 36 00 000	4 05 90 000

	Current Year As at 31st Mar.2011 Rs.	Previous year As at 31st Mar.2010 Rs.
SCHEDULE No.4		
SECURED LOANS:		
I. Term Loans From Banks:		
Union Bank of India	11 29 40 499	11 78 30 143
State Bank of India	5 98 13 624	5 97 98 100
Oriental Bank of Commerce	12 43 87 276	7 41 87 228
	29 71 41 399	25 18 15 471
ii. Cash Credit From Banks:		
Union Bank of India,	5 57 66 021	3 03 15 310
Union Bank of India Packing Credit	2 96 03 017	57 39 273
Union Bank of India FCL Loan	0	5 07 60 411
The Catholic Syrian Bank Ltd.,	6 30 72 471	1 44 68 892
The Catholic Syrian Bank Ltd., FCNRB Loan	1 01 12 360	
State Bank of India	2 56 49 268	2 58 64 177
State Bank of India FCNRB Loan	97 01 892	97 24 000
Oriental Bank of Commerce	1 13 11 582	1 76 69 669
Axis Bank - Key Loan	2 99 73 201	0
	23 51 89 812	15 45 41 732
iii. Foreign Bills Purchased by Banks:		
Union Bank of India (FDBP A/c)	1 09 05 141	1 49 10 131
Union Bank of India (UDBP A/c)	0	9 50 131
	1 09 05 141	1 58 60 262
iv. Hire Purchase Finance		
From Union Bank of India	3 64 566	5 00 000
From Kotak Mahindra Prime Ltd	6 91 640	0
	10 56 206	5 00 000
v. Interest accrued and due on Term Loans		
	22 65 899	13 64 328
	54 65 58 457	42 40 81 793
SCHEDULE No.5		
UNSECURED LOANS		
IFST Deferral Scheme	4 37 16 719	5 31 20 815
	4 37 16 719	5 31 20 815

SALONA COTSPIN LIMITED
SCHEDULE No. 6 FIXED ASSETS

	COST				DEPRECIATION				W.D.V.		
	As at	Additions/	Deletions/	As at	At at	Additions	Deductions	As at	As at	As at	
	01.04.2010	Transfers	Transfers	31.03.2011	01.04.2010	Rs.	Rs.	31.03.2011	31.03.2011	31.03.2010	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land	15 88 882			15 88 882						15 88 882	15 88 882
Buildings	5 77 60 064	34 35 800		6 11 95 864	1 40 74 107	18 57 225		1 59 31 332	4 52 64 532	4 36 85 957	4 36 85 957
Plant & Machinery	35 83 49 969	6 47 72 556	2 38 10 577	39 93 11 948	18 23 27 820	3 54 11 486	2 22 02 725	19 55 36 581	20 37 75 367	17 60 22 149	17 60 22 149
Wind Electric Generator	20 32 87 402			20 32 87 402	5 80 37 001	2 10 19 917		7 90 56 918	12 42 30 484	14 52 50 401	14 52 50 401
Vehicles	57 09 803	11 16 116		68 25 919	26 41 337	6 03 791		32 45 128	35 80 791	30 68 466	30 68 466
Furniture & Fixtures	8 68 383	61 871		9 30 254	4 31 814	48 731		4 80 545	4 49 709	4 36 569	4 36 569
Office Equipments	33 64 415	3 85 724		37 50 139	23 13 882	4 53 367		27 67 249	9 82 890	10 50 533	10 50 533
Canteen equipments	1 91 701			1 91 701	31 447	9 106		40 553	1 51 148	1 60 254	1 60 254
Capital Work-in-Progress	63 11 20 619	6 97 72 067	2 38 10 577	67 70 82 109	25 98 57 408	5 94 03 623	2 22 02 725	29 70 58 306	38 00 23 803	37 12 63 211	37 12 63 211
- Building	12 15 222	3 41 596	12 15 222	3 41 596							
- Machinery	1 19 814	1 19 814	1 19 814	1 19 814					3 41 596	12 15 222	12 15 222
Current Year Total	63 24 55 655	7 01 13 663	2 51 45 613	67 74 23 705	25 98 57 408	5 94 03 623	2 22 02 725	29 70 58 306	38 03 65 399	37 25 98 247	37 25 98 247
Previous Year Total	50 63 38 600	12 61 17 055	13 55 036	63 24 55 655	21 51 42 866	4 47 14 542		25 98 57 408	37 25 98 247	29 11 95 734	29 11 95 734

	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
SCHEDULE No.7		
INVESTMENTS		
TRADE - UNQUOTED:		
In Equity Shares (Un quoted): 20000 Equity Shares of Rs.10/- each in Sarvamangalam Synthetics Ltd.,	2 00 000	2 00 000
NON TRADE - QUOTED:		
In Equity Shares (quoted) 3272 Equity Shares of Rs.10/- each (previously 3272) in Union Bank of India (Market value Rs.956405.6/-) (Previous Period Market value Rs.555427/-)	77 920	77 920
	2 77 920	2 77 920
Aggregate cost of Quoted Investments	77 920	77 920
Market Value thereof	13 10 581	9 56 406
Aggregate cost of Unquoted Investments	2 00 000	2 00 000
SCHEDULE No.8		
INVENTORIES		
Stores, Spares & Packing Materials	31 30 190	30 77 060
Raw Materials	25 33 64 467	15 41 26 335
Work in Process	3 92 63 231	1 39 27 309
Finished Goods - Yarn & Fabrics	8 70 08 781	1 64 56 335
By-Product Waste Cotton	50 29 752	26 02 227
	38 77 96 421	19 01 89 266
SCHEDULE No.9		
SUNDRY DEBTORS (Unsecured)		
(I) Considered Good		
Debts Outstanding For a period Exceeding Six Months	4 99 487	8 48 018
Other debts	6 32 82 087	6 93 17 715
	6 37 81 574	7 01 65 733
SCHEDULE No.10		
CASH & BANK BALANCES		
Cash on Hand	6 70 138	5 06 643
Cash with Scheduled Banks - in Current Accounts	1 12 21 823	99 20 378
- in Deposit Accounts	55 23 421	1 01 60 404
	1 74 15 382	2 05 87 425

	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
SCHEDULE No. 11		
OTHER CURRENT ASSETS:		
Interest Accrued on Deposits	2 26 036	2 26 036
Interest Subsidy Receivable	64 30 110	65 69 378
Insurance Claims Receivable	0	3 98 301
WEG unit generation value recoverable	4 79 412	5 65 603
	71 35 558	77 59 318
SCHEDULE No.12		
LOANS & ADVANCES		
(Unsecured, & Considered Good Recoverable in Cash or in kind or Value to be received)		
Advances for Purchases/Expenses	23 94 789	26 95 807
Advances to Staff & Other Operatives	2 84 465	2 71 008
Advances paid for Capital goods	56 07 754	1 93 69 132
Advance Towards Indirect Taxes	73 81 570	35 96 221
Other Advances	2 02 810	2 57 810
Prepaid Expenses	4 02 871	4 01 665
Deposits with Govt. & Other Authorities	53 91 655	79 94 929
	2 16 65 914	3 45 86 572
SCHEDULE No.13		
CURRENT LIABILITIES & PROVISIONS		
(A) CURRENT LIABILITIES		
Liability for Purchases & Expenses :		
To Micro, small and medium enterprises	NIL	NIL
To Others	6 06 70 302	3 81 74 225
Investor Education & Protection Fund but transfer not due to Central Government:		
Unclaimed Dividends	7 60 047	6 06 031
	6 14 30 349	3 87 80 256
SCHEDULE No.14		
(B) PROVISIONS		
Provision For Taxation		
Provision for Income Tax (Net)	45 18 314	1 74 907
Provision for Fringe Benefit Tax (Net)	2 11 236	2 11 236
Provision For Proposed Dividend	52 62 400	52 62 400
Provision For Corporate Dividend Tax	8 53 693	8 74 019
	1 08 45 643	65 22 562
SCHEDULE No. 15		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Balance as per last balance sheet	37 15 622	43 34 893
Incurred During The Year		
Less: Amortised during the year	6 19 271	6 19 271
	30 96 351	37 15 622

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Current Year	Previous Year
	As at 31st Mar.2011 Rs.	As at 31st Mar.2010 Rs.
SCHEDULE No.16		
SALES & OTHER OPERATING RECEIPTS		
Finished Goods	69 10 70 910	50 44 22 742
Traded Goods	4 57 93 718	68 30 952
Waste Cotton Export	85 68 353	0
By-Product - Waste Cotton	4 81 69 857	3 72 88 432
	79 36 02 838	54 85 42 126
Duty Draw Back	2 72 140	7 19 906
DEPB Licence	23 09 509	2 94 748
Miscellaneous Items	8 888	13 840
WEG-CDM Revenue	0	33 28 048
	79 61 93 375	55 28 98 668
SCHEDULE No.17		
OTHER INCOME		
Interest Receipts -Bank & Other Deposits (TDS Rs 76,190/- Preceding Year Rs 1,67,100/-)	8 77 247	14 07 194
Dividends from other investments	17 996	18 860
Profit on Sale of Assets	13 17 147	-
Profit on Sale of Investments	-	1 12 314
Miscellaneous Income	-	19 377
	22 12 390	15 57 745
SCHEDULE No.18		
RAW MATERIAL CONSUMED		
Opening Stock - Cotton	15 41 26 335	6 46 66 723
- Cotton in Process	39 43 005	25 34 700
ADD: Cost of Cotton Purchased	65 45 19 859	43 62 43 519
	81 25 89 199	50 34 44 942
LESS: Closing Stock - Cotton	25 33 64 467	15 41 26 335
- Cotton in Process	51 32 220	39 43 005
	55 40 92 512	34 53 75 602
SCHEDULE No.19		
MANUFACTURING CHARGES		
Power & Fuel	6 67 43 318	5 06 17 476
Less: WEG Captive Consumption	3 21 29 116	1 95 05 051
	3 46 14 202	3 11 12 425
Consumption of Stores & Spares	43 26 086	29 87 095
Other Manufacturing Expenses	1 33 96 127	1 63 47 140
	5 23 36 415	5 04 46 660

	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
SCHEDULE No.20		
SALARIES, WAGES AND OTHER BENEFITS		
Salaries Wages & Bonus	1 26 76 363	1 17 51 230
Stipend to Trainees	2 48 317	3 68 804
Contribution To Provident & Other Funds	6 81 324	6 71 663
Gratuity	5 01 084	2 59 180
Workmen & Staff Welfare Expenses	48 64 591	37 45 543
	1 89 71 679	1 67 96 420
SCHEDULE No.21		
REPAIRS & MAINTENANCE		
Machinery	1 68 99 194	1 21 17 435
Electrical	8 42 691	4 12 844
Generator	94 849	94 414
Building	31 80 166	14 37 922
Wind Mill	34 66 166	32 22 276
Vehicle	11 54 709	7 14 928
Office Equipment	5 28 346	3 91 827
General	11 65 369	9 77 658
	2 73 31 490	1 93 69 304
SCHEDULE No.22		
REMUNERATION TO DIRECTORS		
To Managing Director	19 40 222	13 49 875
To Joint Managing Director	12 15 923	9 87 462
	31 56 145	23 37 337
Sitting Fees to Other Directors	26 000	32 000
	31 82 145	23 69 337
SCHEDULE No.23		
ADMINISTRATIVE & OTHER EXPENSES		
Insurance	18 10 331	16 16 329
Rent	4 17 290	1 65 700
Rates & Taxes	4 26 733	4 31 939
Printing and Stationery	3 42 345	2 32 470
Postage, Telephone and Telegram	4 96 612	5 40 941
Professional Charges & Legal Fees	1 82 654	3 22 776
Travelling & Conveyance Expenses	19 11 858	14 98 686
Donations	4 08 000	74 000
Other Expenses	30 25 206	24 84 032
Foreign Exchange Fluctuation Loss	3 96 755	9 14 015
	94 17 784	82 80 888

	Current Year As at 31st Mar.2011 Rs.	Previous Year As at 31st Mar.2010 Rs.
SCHEDULE No.24		
SELLING AND DISTRIBUTION EXPENSES		
Packing Materials Consumed	23 73 695	17 41 689
Commission, Brokerage & Rebates	59 10 500	24 11 104
Expenses on Export Sales	65 10 375	14 96 591
Freight on Yarn Sales	27 32 680	21 98 947
	1 75 27 250	78 48 330
SCHEDULE No.25		
CHANGE IN STOCK OF FINISHED GOODS & SEMI FINISHED GOODS		
Opening Stock:		
Finished Goods - Yarn	1 54 02 599	1 37 95 842
Finished Goods - Fabrics	10 53 736	21 89 154
Work in Process	99 84 304	92 94 905
By-Product - Waste Cotton	26 02 227	6 38 516
	2 90 42 866	2 59 18 417
Closing Stock:		
Finished Goods - Yarn	8 63 81 036	1 54 02 599
Finished Goods - Fabrics	6 27 745	10 53 736
Work in Process	3 41 31 011	99 84 304
By Product - Waste Cotton	50 29 752	26 02 227
	12 61 69 544	2 90 42 866
	-9 71 26 678	- 31 24 449
SCHEDULE No. 26		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Loans	3 05 69 536	1 61 49 299
Interest on Working Capital Credits	1 13 66 550	96 89 584
Hire Purchase Finance Charges	94 277	25 925
Bank Charges	25 50 913	19 05 402
Bill Discounting charges	14 07 966	7 15 669
	4 59 89 242	2 84 85 880

SALONA COTSPIN LIMITED

SCHEDULE NO 27

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.03.2011

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 historical cost net of CENVAT credit/Value Added Tax, including appropriate direct and allocated expenses less accumulated depreciation and impairment losses if any.

(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:-

i) Raw Materials

ii) Finished goods - Yarn
- Fabric
- Saleable waste

iii) Stock in process

iv) Stock of packing materials and Stores/Spares

SALONA COTSPIN LIMITED

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. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date or at forward exchange rate, as may be applicable.

(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 for 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 XIV 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, which has no revenue impact.

(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

SALONA COTSPIN LIMITED

(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.

SALONA COTSPIN LIMITED

(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

		Total	
		As at 31st Mar.2011	As at 31st Mar.2010
1	Details of Turnover :		
	a. Finished Goods - Cotton Yarn Indigenous	Rs. 291,962,583 Kgs. 1,463,153	200,898,890 1,509,899
	b. Finished Goods - Cotton Yarn Direct Exports	Rs. 68,138,621 Kgs. 318,823	17,829,466 133,459
	c. Finished Goods - Cotton Yarn Merchant Exports	Rs. 3,608,388 Kgs. 19,505	15,593,408 114,307
	d. Finished Goods - Knitted Fabrics Indigenous	Rs. 321,140,294 Kgs. 1,677,216	262,616,992 1,917,463
	e. Finished Goods - Knitted Fabrics Direct Export	Rs. 6,221,024 Kgs. 29,799	7,483,986 49,752
	f. By Products - Waste Cotton Export	Rs. 8,568,353 Kgs. 108,283	- -
	g. By Products - Waste Cotton Indigenous	Rs. 48,169,857 Kgs. 1,335,705	37,288,432 1,125,611
	h. Traded Goods- Cotton Yarn Direct Exports	Rs. 45,793,718 Kgs. 241,561	6,830,952 53,392
		793,602,838	548,542,126
	i. Of the above		
	Yarn For Exports (direct/merchant/traded)	117,540,727	40,253,826
	Yarn For Local	291,962,583	200,898,890
	Knitted Fabrics For Exports (direct/merchant/traded)	6,221,024	7,483,986
	Knitted Fabrics Local	321,140,294	262,616,992
		736,864,628	511,253,694
	j. By Product - Waste cotton	Rs. 56,738,210 Kgs. 1,443,988	37,288,432 1,125,611
	k. Raw Materials- Cotton	Rs. - Kgs. -	- -
	l. Wind Energy Realised Wind Energy is generated by the Wind Energy division and is consumed by the Textile Division	Rs. 32,129,116 Units. 8,461,484	19,505,051 5,572,872
	m. Other Operating Income includes carbon credit found eligible and actually admitted as well as realized.	Rs. 2,590,537	4,356,542
	n. Other Non-Operating Income	Rs. 2,212,390	1,557,745
2	Details of Purchases:		
	A . Raw Materials-Cotton		
	a. Indigenous	Rs. 654,519,859 kgs. 5,129,472	436,243,519 5,897,436
	b. Imported	Rs. - kgs. -	- -
	B Goods For Trade-Yarn		
	a. Indigenous	Rs. 47,427,340 kgs. 271,750	7,691,044 60,676

3	Details of Consumption :			
	A. Raw Materials Cotton			
	a. Indigenous	Rs. Kgs.	554,092,512 5,456,977 (100%)	345,375,602 4,951,829 (100%)
	b. Imported	Rs. kgs.	- -	- -
	B. Cotton Hosiery Yarn - for knitting			
	Indigenous	kgs.	1,797,432	1,960,654
	C. Stores & Spares			
	a. Indigenous	Rs.	4,326,086 (100%)	2,987,095 (100%)
	b. Imported	Rs.	-	-
4	A. Details of Opening Stock:			
	i. Raw Materials - Cotton	Rs. Kgs.	154,126,335 1,928,417	64,666,723 980,142
	ii. Finished Goods - Cotton Yarn	Rs. Kgs.	15,402,599 80,390	13,795,842 125,166
	iii. Finished Goods - Hosiery Knitted Cloth	Rs. Kgs.	1,053,736 6,699	2,189,154 17,699
	iv. By Product	Rs. Kgs.	2,602,227 86,906	638,516 49,687
	B. Details of Closing Stock:			
	i. Raw Material - Cotton	Rs. Kgs.	253,364,467 1,592,306	154,126,335 1,928,417
	ii. Finished Goods - Cotton Yarn	Rs. Kgs.	86,381,036 389,200	15,402,599 80,390
	iii. Finished Goods - Hosiery Knitted Cloth	Rs. Kgs.	627,745 2,790	1,053,736 6,699
	iv. By Product	Rs. Kgs.	5,029,752 78,433	2,602,227 86,906
5	Production Capacity:			
	Licensed Capacity	Spindles	Not Applicable	Not Applicable
	Installed Capacity	Spindles	24,336	21,744
6	Actual Production:			
	I. Finished goods - Cotton Yarn (Cones)		3,877,103	3,681,369
	II. Finished goods - Hosiery Knitted Fabrics		1,704,252	1,959,010
7	Value of Imports - CIF:			
	Components & Spares	Rs.	-	-
	Capital Goods	Rs.	16,069,541	-
8	Expenditure in Foreign Currency			
	Purchase of Spares	Rs.	477,504	81,455
	Interest & Bank Charges	Rs.	1,580,533	3,301,396
	Commission on Exports	Rs.	2,303,655	657,997
	Travelling Expenses to Directors	Rs.	-	131,044

9	Amount remitted in foreign Currency on account of dividends		Nil	Nil
	Number of Non Resident Shareholders		5	4
	Number of Shares Held By Them		2,485	3,713
10	Earnings in foreign currency Direct Export of Goods (F O B)	Rs.	128,721,716	32,144,404
11	Estimated amount of contracts to be executed on capital accounts and not provided for	Rs In Lakhs	621	708
12	Liability for bills discounted with Banks		NIL	NIL
13	Claims against the company not acknowledged as debts: Towards Electricity Tariff Subsidy Aailed disputed by the Electricity Board		NIL	NIL
	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	5,262,400
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 Ltd			-
	Term Loan for Machinery		60.00	-
	Term Loan for Building		26.00	-
	Term Loan for WEG - Normal Scheme		248.00	248.00
	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
	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	1,368.00
	Out Standing as on the year ended are as under			
	Mortgage Term Loans: Catholic Syrian Bank Limited			
	Term Loan For Machinery		-	-
	Mortgage Term Loans: Under Textile Up gradation Fund Scheme Union Bank Of India			
	Term Loan For Machinery Project		146.73	160.93
	Term Loan For Machinery Project		740.20	774.89
	Term Loan For Windmill Project		242.48	242.48

Mortgage Term Loans: Under Textile Up gradation Fund Scheme State Bank Of India Term Loan For Machinery Project	275.02	274.09
Term Loan For Machinery Project	330.53	330.54
Mortgage Term Loans: Under Textile Up gradation Fund Scheme Oriental Bank of commerce Term Loan For Machinery & Wind Energy Converter	1,259.11	748.87
Of the above mortgage term loans: loans repayable within one year are as under:		
State Bank Of India	240.00	60.00
Union Bank Of India	236.00	59.28
Oriental Bank of commerce	195.48	48.86
	671.48	168.14
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	910.00	710.00
Catholic Syrian Bank Limited	750.00	147.00
Oriental Bank of commerce	200.00	200.00
Axis Bank - Key Loan	300.00	-
	2,516.00	1,413.00
Cash Credit	2,516.00	1,413.00
Foreign Bills Discounting Facility - UBI	300.00	100.00
	2,816.00	1,513.00
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	353.51	355.88
Union Bank Of India	962.74	1,026.75
Catholic Syrian Bank Limited	731.85	144.69
Oriental Bank of Commerce	113.12	176.70
Axis Bank - Key Loan	299.73	-
	2,460.95	1,704.02
The above facilities are secured by way of hypothecation and or pledge of stocks in trade, besides a first charge on its fixed assets.		
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	671.48	168.14
	2) Unsecured Loans - IFST	98.82	94.57
		770.30	262.71
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	760,047	606,031
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	-
21	The Income Tax assessments have been completed upto the assessment year 2008-09; Income Tax Assessment for scrutiny is pending for scrutiny from the Assessment Year 2009-10. 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		
		2010-11	
	Particulars	Cotton Yarn & Fabrics	By Product
	Product value	745,432,981	48,169,857
	Sales Tax/VAT	8,122,823	1,926,794
		753,555,804	50,096,651
			Misc Items
			1,471,184
			58,848
			1,530,032
		2009-10	
	Particulars	Cotton Yarn & Fabrics	By Product
	Product value	511,253,694	37,288,432
	Sales Tax/VAT	6,074,717	1,516,985
		517,328,411	38,805,417
			Misc Items
			13,840
			6,012
			19,852
23	Other Expenses includes Statutory Auditor's Remuneration:		
	Audit Fees	90,000	74,800
	Tax Audit	12,500	11,000
	Taxation Matters	34,500	11,000
	Other Services	38,750	19,750
	Reimbursement of Service Tax	13,776	12,996
		189,526	129,546
	Cost Auditor's Remuneration		
	Audit Fees	15,000	12,000
	Reimbursement of Service Tax	1,545	1,236
24	Details Of Managerial Remuneration Paid		
	i) Remuneration to Managing Director		
	Salary	1,200,000	600,000
	Perquisites	84,000	84,000
	Gratuity (previous year included provision for services upto 31.03.2010)	57,692	403,846
	Commission	598,530	262,029
		1,940,222	1,349,875

ii)	Remuneration to Joint Managing Director		
	Salary	1,080,000	540,000
	Perquisites	84,000	84,000
	Gratuity (previous year included provision for services upto 31.03.2010)	51,923	363,462
	Commission	-	-
		1,215,923	987,462
	* 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	59,852,963	26,202,854
	Add Directors Remuneration	3,156,145	2,337,337
	Add : Sitting Fees	26,000	32,000
	Add Depreciation Charged In Books of Accounts	59,403,623	44,714,542
		122,438,731	73,286,733
	Less Depreciation Pursuant Section 350	59,403,623	44,714,542
	Less Sitting Fees	26,000	32,000
	Less : Directors Remuneration	2,557,615	2,075,308
	Net Profit For The Purpose of Section 349	60,451,493	26,464,883
	Commission @ 1%	598,530	262,029
			*
26	Information Pursuant to Accounting Standard 15		
	i) Payment To Defined Contribution Benefit Plans:		
	Contribution To Provident Fund	211,849	205,736
	Contribution To Employees Pension Fund	442,890	439,544
	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	1,404,649	1,145,469
	Add Provision For The Year	501,084	259,180
		1,905,733	1,404,649
	Less Payments During The Year	20,000	-
	Closing Balance	1,885,733	1,404,649
27	Borrowing Cost capitalised during the year	-	1,004,847
28	The Company operates only on one segment which is the company's primary segment i.e. is	COTTON TEXTILES	COTTON TEXTILES

29	Recurring annual subscription to Textile Research Institutions South India Textile Research Association (SIITRA)		29,049	23,983
30	In terms of the Accounting Standard 18 requiring disclosure of related parties, the following persons has been identified as Related Parties:			
(i)	Key Management Personnel: Shyamlal Agarwala - Managing Director Manoj Kumar Jhajharia - Joint Managing Director Pramod Kumar Jhajharia - Chief Executive			
(ii)	Associates: Shristi Cotspin Private Limited			
31	Transactions with Related Parties: Nature of Transaction			
	Key Management Personnel:			
	i) Rent Payments to Related Parties-Administrative Office Relative Of Managing Directors		240,000	72,000
	ii) Advance Towards Rent Payments to Related Parties-Administrative Office Relative Of Managing Directors		60,000	60,000
	iii) Remuneration to Managing Director and Joint Managing Director		3,156,145	2,337,337
	iv) Sitting Fees to other directors		26,000	32,000
	v) Travelling Reimbursement to other directors		26,000	30,000
	vi) Remuneration to chief executive:			
	Salary		540,000	114,000
	Company's Contribution To Provident Fund & Other Funds		9,360	9,360
			549,360	123,360
	Associates:			
	Sale of goods To Shristi Cotspin Private Limited		11,117,180	18,505,489
32	In terms of the Accounting Standard 20 relating to Earnings Per Share (EPS) the following information is furnished:			
	Profit Available for distribution to Equity Shareholders:		44,714,767	22,573,854
	Number of Equity Shares		5,262,400	5,262,400
	Earning Per share - (Basic & Diluted)	Rs.	8.50	4.29
	Nominal Value of shares	Rs.	10	10
33	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			

34	Net Deferred Tax Asset/Liability in respect of the year ending 31st March,2011 and earlier credited/debited to profit & Loss Account and Net Deferred Tax Liability as on 31st March,2011 are computed as below		
	Deferred Tax Liability :-		
	on Depreciation difference	60,960,000	54,940,000
	on Deferred Revenue Expenditure	1,050,000	1,260,000
		62,010,000	56,200,000
	Deferred Tax Asset :-		
	on MAT Credit	17,910,000	5,780,000
	on Unabsorbed depreciation & other Expenses	500,000	9,830,000
		18,410,000	15,610,000
	Net Deferred Tax Liability	43,600,000	40,590,000
	Deferred Tax Liability at the beginning	40,590,000	41,560,000
	Net Deferred Tax Liability Debited to P & L	3,010,000	-
	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.				
		2010-2011			
	Provisions Contingencies & Other Liabilities:	Opening Balance	Recognized during the year	Reversed During the year	Closing Balance
	Taxation	6,948,900	12,135,000	-	19,083,900
	Fringe Benefit Taxation	211,236	-	-	211,236
	Dividends	5,262,400	5,262,400	5,262,400	5,262,400
	Expenses (Bonus Etc)	716,200	845,160	716,200	845,160
	Gratuity Provision To Employees	1,404,649	501,084	20,000	1,885,733
	Gratuity Provision To Directors	767,308	109,615	-	876,923
		15,310,693	18,853,259	5,998,600	28,165,352
					-
		2009 - 2010			
	Provisions Contingencies & Other Liabilities:	Opening Balance	Recognized during the year	Reversed During the year	Closing Balance
	Taxation	2,349,900	4,599,000	-	6,948,900
	Fringe Benefit Taxation	211,236	-	-	211,236
	Dividends	-	5,262,400	-	5,262,400
	Expenses (Bonus Etc)	466,720	716,200	466,720	716,200
	Gratuity Provision To Employees	1,145,469	259,180	-	1,404,649
	Gratuity Provision To Directors		767,308		767,308
		4,173,325	11,604,088	466,720	15,310,693

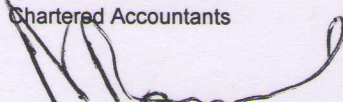
<p>36</p> <p>Dues to Micro, Small & Medium Enterprises</p> <p>The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 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> <p>37 In the opinion of the Board of Directors:</p> <p>All the current assets, loans and advances would realise the value stated in the normal course of business.</p> <p>There are no amounts due to be transferred to Investor Protection & Education Fund</p> <p>38 Figures for the previous year have been reclassified and regrouped wherever found necessary</p>		<p>NIL</p> <p>NIL</p> <p>NIL</p> <p>NIL</p> <p>NIL</p> <p>NIL</p>	<p>NIL</p> <p>NIL</p> <p>NIL</p> <p>NIL</p> <p>NIL</p>
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SIGNATORIES FOR SCHEDULES AND NOTES FORMING PART OF ACCOUNTS 1 to 27

As per our Report of Even date attached

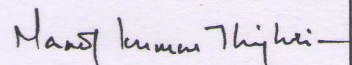
On behalf of the Board

for V K S AIYER & CO
Chartered Accountants

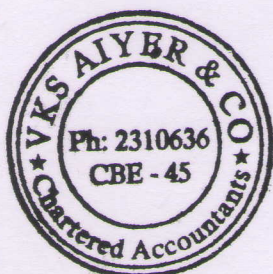

N. RAMESH NATARAJAN
Partner
Membership No. 200/23443
Place: Coimbatore
Date : 28th May, 2011





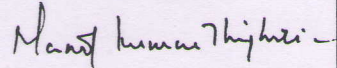
SHYAMLAL AGARWALA
Managing Director

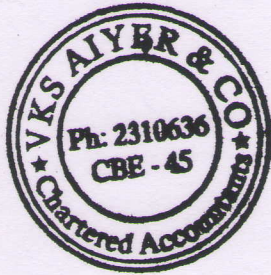


MANOJKUMAR JHAJHARIA
Joint Managing Director



SALONA COTSPIN LIMITED		
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011		
	31.03.2011	31.03.2010
	(Rs. in Lacs)	(Rs. in Lacs)
A Cash flow from operating activities:		
Net Profit before taxation and extra ordinary items	598.60	262.03
Adjustments for:		
Depreciation	594.04	447.15
Deferred Expenses written off	6.19	6.19
Profit on sale of Investments	0.00	-1.12
Profit on sale of fixed assets	-13.17	0.00
Interest and financial charges paid	459.89	284.86
Dividend Income	-0.18	-0.19
Interest receipts	-8.77	-14.07
Direct Taxes	-121.35	-45.99
Operating profit before working capital changes	1515.25	938.85
Adjustments for working capital changes		
(Increase)/Decrease in Current Assets/Loans & Advances		
Inventories	-1976.07	-942.69
Sundry Debtors	63.84	-53.66
Loans and Advances	129.21	-38.57
Other Current Assets	6.24	45.45
Increase/(Decrease) in Current Liabilities/Provisions		
Current Liabilities	226.50	261.81
Provisions	43.23	63.11
Net cash from operating activities	8.19	274.30
B Cash flow from investing activities:		
Dividend Income	0.18	0.19
Interest receipts	8.77	14.07
Sale of Investments	0.00	1.20
Purchase of Fixed Assets	-687.79	-1261.17
Advance for Capital Goods	0.00	0.00
Deffered Revenue Expenditure	0.00	0.00
Sale of Fixed Assets	29.25	0.00
Net cash from investing activities	-649.58	-1245.71
C Cash flow from financing activities:		
Increase/(Decrease) in Secured Loan	1224.77	1425.06
Increase/(Decrease) in Unsecured Loan	-94.04	-53.25
Interest and financial charges paid	-459.89	-284.86
Increase In share Capital	0.00	0.00
Dividend and Dividend tax Paid	-61.16	-61.36
Net cash from financing activities	609.67	1025.59
Net increase/(decrease) in cash & cash equivalents	-31.72	54.18
Cash & cash equivalents at the beginning of the year	205.87	151.69
Cash & cash equivalents at the close of the year	174.15	205.87
	-31.72	54.18

Cash & Cash equivalents at the close of the year comprise of			
	Cash on hand	6.70	5.07
	Cash at bank in current accounts	112.22	99.20
	Cash in Deposit Accounts	55.23	101.60
		174.15	205.87
As per our Report of Even date attached for V K S AIYER & CO Chartered Accountants		On behalf of the Board	
 N.RAMESH NATARAJAN Partner Membership No. 200/23443		 SHYAMLAL AGARWALA Managing Director	
Place: Coimbatore Date : 28th May,2011		 MANOJKUMAR JHAJHARIA Joint Managing Director	



SALONA COTSPIN LIMITED

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2011

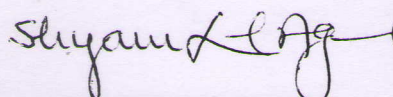
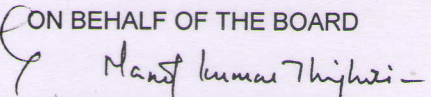
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	REGISTRATION DETAILS:	
	Registration No.	181-4797
	State Code	18
	Company Unique Identification No.	L17111TZ1994PLC004797
	Balance Sheet date	31.03.2011
	Date of Previous AGM	13.09.2010
	Date of Current AGM	08.09.2011
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	809259
	Total Assets	809259
	Sources of Funds (Rs.)	
	Paid-up Capital	53289
	Reserves & Surplus	122094
	Deferred Tax Liability	43600
	Secured Loans	546558
	Unsecured Loans	43717
	Application of Funds (Rs.)	
	Net Fixed Assets	380365
	Investments	278
	Net Current Assets	425519
	Miscellaneous Expenditure	3096
IV	PERFORMANCE OF COMPANY (Rs. In 000's)	
	Total Turnover	798406
	Total Expenditure	738546
	Profit Before Tax	59860
	Profit After Tax	44715
	Earning per share in Rs.	8.50
	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

Place: COIMBATORE
Date : 28th May,2011

 ON BEHALF OF THE BOARD

SHYAMLAL AGARWALA **MANOJKUMAR JHAJHARIA**
Managing Director Joint Managing Director