



11<sup>th</sup> Annual Report  
2004 - 2005

**ELEVENTH ANNUAL REPORT**  
2004 - 2005

**BOARD OF DIRECTORS**

**SHRI. SHYAMLAL AGARWALA**

Managing Director

**SHRI. MANOJ KUMAR JHAJHARIA**

Joint Managing Director

**SHRI. G.V.S.DESIKAN**

**SHRI. DULICHAND PANSARI**

**SHRI. MAHESH AGARWAL**

**SHRI. SP. SEKAR**

**SHRI. KANHAIYALAL SHARMA**

**BANKERS**

UNION BANK OF INDIA

THE CATHOLIC SYRIAN BANK LTD

STATE BANK OF INDIA

**AUDITORS**

M/s.VKS AIYER AND COY.,

Chartered Accountants

Coimbatore.

**REGISTERED OFFICE**

Mill Premises

S.F.No.74/12 & 75/3, Sathy Main Road

Pungampalli, Valipalayam (Post)

Sathy Taluk, Erode District

Tamil Nadu.

**ADMINISTRATIVE OFFICE**

No. 9, Ramalinga Nagar, IV Cross

Saibaba Colony, Coimbatore - 641 011.

**SHARE TRANSFER AGENTS**

M/s. S.K.D.C. Consultants Limited,

Post Box No. 2979,

No.11, S.N. Layout, Street No. 1,

Tatabad, Coimbatore - 641 012.

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## NOTICE

Notice is hereby given that the ELEVENTH Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 28th September 2005 at 10.00 A.M at the Registered Office of the Company at Mill Premises, S.F. No.74/12 and 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamil Nadu, to transact the business given in the following agenda. You are requested to make it convenient to attend the meeting.

## AGENDA

### ORDINARY BUSINESSES

1. To receive, consider and adopt the audited statement of accounts for the year ended 31.3.2005 along with the reports of the Auditors and Directors thereon.
2. To declare dividend on equity shares.
3. To elect a Director in the place of Shri G.V.S. Desikan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s.VKS Aiyer and Coy., Chartered Accountants, Coimbatore, retire and are eligible for reappointment.

### SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following ordinary resolution.  
RESOLVED that the reappointment of Sri Shyamal Agarwala as Managing Director of the Company for a further period of 5 years with effect from 01.04.2005 and the remuneration payable to him as detailed below be and are hereby approved:
    - I. SALARY : RS.25,000/- (Rupees twenty five thousand only) per month.
    - II. COMMISSION : @ 1% of the net profits of the company.
    - III. PERQUISITES:
      - (A) Contribution to provident fund and Superannuation fund as per rules of the company.
      - (B) Gratuity @ half a month salary for each completed year of service.
      - (C) Encashment of leave at the end of the tenure as per rules of the company.
    - IV. OTHER PERQUISITES:  
At the discretion of the Board of Directors up to a sum not exceeding annual salary. i.e Rs.3.00 Lacs (Rupees three Lacs).
    - V. MINIMUM REMUNERATION:  
In the case of loss or inadequacy of profits, the company may pay remuneration subject to the limits prescribed under Section II of Part II in Schedule XIII of the Companies Act, 1956.
  6. To pass with or without modification the following resolution, which is, intended to be passed as an ordinary resolution.  
RESOLVED that Sri SP. Sekar who was co-opted by the Board as an Additional Director on 22.06.2005 and who holds office up to the date of the Eleventh Annual General Meeting, be and is hereby appointed as a Director of the Company.
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7. To pass with or without modification the following resolution, which is, intended to be passed as an ordinary resolution.

RESOLVED that pursuant to section 293 (1) (d) of the companies Act 1956, the consent of the company be and is hereby accorded to the Board of Directors for borrowing, such sums of money, from time to time, from any or more of the company's Bankers and from any one or more person(s), Firms, Bodies corporate or Financial Institutions whether by way of deposits, loans or bills discounting, or otherwise, whether unsecured or secured by the mortgage, charge hypothecation, lien or pledge of the companies assets and properties whether movable or immovable notwithstanding that the monies so borrowed together with the monies already borrowed by the company (apart from the temporary loans obtained from the company's Bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the company and its free reserves but however the total up to which monies can be borrowed by the Board of Directors and outstanding at any time shall not exceed a sum of Rs. 75.00 Crore (Rupees Seventy Five Crore only) exclusive of interest and the Board of Directors is hereby further authorized to execute such deeds, charge, the mortgage, hypothecation, lien, promissory note, deposit receipts and other deeds and instruments as it may think fit and containing such conditions and covenants as it may think fit".

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE

Date : 22.06.2005

**NOTE:**

1. Any member entitled to attend vote, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
  2. The Proxy form duly stamped and executed should be deposited at the Registered Office atleast forty-eight hours before the time fixed for the commencement of the meeting.
  3. The Register of Member and Share Transfer Books of the Company will remain closed from 22.09.2005 to 28.09.2005 (both days inclusive)
  4. The Shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any at M/s. S.K.D.C. Consultants Limited, Post Box. No. 2979, No.11, S.N. Layout, Street No. 1, Tatabad, Coimbatore 641 012.
  5. Name & Address of the Stock Exchanges where the Shares are listed.  
Coimbatore Stock Exchange, 683-686, CSX Tower, Trichy Road, Coimbatore - 641 005  
Madras Stock Exchange Ltd., Exchange Building, Post Box No.183, 11, Second Line Beach, Chennai - 600 001.  
The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta - 700 001.  
The Stock Exchange Ahmedabad, Kamadhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad - 380 015.  
Annual Listing fee has been paid to all the above stock exchanges.
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## DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	: Shri. G.V.S. Desikan	Shri. SP. Sekar
Age	: 72 Years	47 Years
Date of Appointment	: 23.02.1995	22.06.2005
Qualifications	: B.Sc., B.Sc., (Tech).	M.Tech (Textile Technology)
Expertise in Specific Functional area	: More than 50 years in Textile & General Management	More than 23 years of experience in Textile Mills
Other Directorships	: 1. Shree Kannapiran Mills Ltd., 2. K.G. Textiles Processors (P) Ltd., 3. GDA Technologies Ltd., 4. K.G. Denim Ltd., 5. GDA System P. Ltd., 6. Terravault Networks (P) Ltd.,	1. SVN Textiles Pvt. Ltd.,
Member of Committee	: 5	1

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

Item No.5 of the Agenda:

Shri Shyam Lal Agarwala, the Chief Promoter of the Company, has been Managing Director from the inception of the Company. His present term of office as Managing Director expired on 31.03.2005. The Board of the Directors of the Company at their meeting held on 30.03.2005, reappointed Shri Shyam Lal Agarwala as Managing Director for a further period of Five Years with effect from 1.4.2005, on the terms and conditions of remuneration set out in the text of the resolution contained in the Notice convening the 11<sup>th</sup> Annual General Meeting of the Company. The terms of remuneration has been approved by the remuneration committee constituted by the Board. The Board of Directors recommend that in the interest of continuity in the management and to make use of his rich experience in the Textile Trade/Industry, the Shareholders may approve the reappointment of Shri Shyam Lal Agarwala as Managing Director. The terms and conditions as contained in the text of the resolution for his appointment may be treated as the notice u/s 302(7) of the Companies Act, 1956.

Shri Shyam Lal Agarwala, the Appointee and Shri Manoj Kumar Jhajharia, the Joint Managing Director and Shri Mahesh Agarwal being relatives are interested in the above item of Agenda.

Item No.6 of the Agenda:

Shri SP. Sekar was co-opted as an additional Director with effect from 22.06.2005. As per article No.74 of the articles of association he shall hold office up to the date of ensuing annual general meeting. Shri. SP. Sekar seeks reappointment. Shri SP. Sekar is a qualified Technical consultant and has vast knowledge in textiles. Necessary resolutions are placed before the shareholders for approval.

None of the Directors except Shri. SP. Sekar is interested in this item of the agenda.

Item No.7 of the Agenda:

Section 293(1) (d) of the Companies Act 1956 provides that any borrowing by the Board of Directors in excess of paid up capital and free reserves of the company requires the approval of the shareholders. The shareholders at the annual general meeting held on 24.05.1995 have authorised the board of directors to borrow up to Rs. 25 Crore in excess of paid up capital and free reserves as provided. Considering the financial requirement for the proposed expansions it is proposed to increase the borrowing powers to Rs. 75 Crore, for which necessary resolutions are placed before the shareholders for their approval.

None of the Director is interested in this item of the agenda.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

Place: COIMBATORE  
Date : 22.06.2005

## DIRECTORS REPORT

Your Directors have great pleasure in presenting their ELEVENTH Annual Report together with the audited financial statements of the Company for the year ended 31st March 2005.

### Working Results

Rs. in Lacs

#### Gross Sales and Other receipts :

Domestic Sales		3122.08
Export Sales		127.68
Other Income		157.11
Total		3406.87
Gross profit before interest, depreciation and tax		427.05
Less : Interest		108.26
Profit after interest, but before depreciation and tax		318.79
Less : Provision for depreciation		201.04
Profit before tax		117.75
Less : Provision for income-tax - Current Tax	9.25	
- Deferred Tax	46.76	56.01
Net profit after tax		61.74
Add : Surplus brought forward from previous year		220.42
Total profit available for appropriation		282.16

### APPROPRIATION

The above Profit is proposed to be appropriated as stated below:-

Provision for Dividend on Equity Shares	39.28
Provision for tax on Corporate Dividend	5.51
Surplus Carried over	237.37
	282.16

### DIVIDEND

Your Directors are pleased to recommend a dividend of 7.5% for the year ended March 2005; the total outgo in the form of dividend including corporate dividend tax will be to the tune of Rs. 44.79 Lacs.

# 11th Annual Report

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## REVIEW OF OPERATIONS

During the year under review, the company achieved marginal increase in production and sales value compared with the previous year. Consequently the Mill achieved a gross Sales Turnover of Rs.3249.75Lacs (Previous year Rs.3105.40 Lacs). The export sales amounted to Rs.127.68 Lacs as against Rs.299.73 Lacs in the previous year. In the first half of the year high raw material prices made adverse impact on margins. However during second half of the year, the raw material prices softened which helped the company to increase the margin. The Wind Electric Generators generated 38.08 Lacs units of which 35.55 Lacs units were consumed by the Textile Mill. The Wind Electric Generators contributed a turnover of Rs.123.26 Lacs.

## OUTLOOK FOR THE FUTURE

Your director have decided to increase the spindles from 10800 to 15696 and also modernize the Textile mill by installing sophisticated machinery to improve the quality and productivity at an total outlay of Rs.990.00 Lacs. In order to minimize the Power cost your company has decided to install one 750 KW capacity of windmill. We are hoping for a good performance with an increase in productivity and sales value in the year ahead.

## FINANCES

During the year under review, the Company could collect calls in arrears to the extent of Rs.2.05 Lacs. The paid up Share Capital of the company stood at Rs.523.79 Lacs. Efforts are being taken to realize the balance of calls in arrears of Rs.11.32 Lacs. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.237.37 Lacs, after providing for deferred tax, for an amount of Rs.46.76 Lacs. The liability for interest free sales tax deferred credit stood at Rs.653.45 Lacs. (Rs.529.43 Lacs) The Company met all financial commitments to the Bankers on account of Term Loan and Working Capital Credit.

## DEPOSITS

The Company has not accepted any deposits from the Public and hence there were no amounts outstanding as at the close of the year.

## PERSONNEL

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

## INFORMATION PURSUANT TO SECTION 217 OF COMPANIES ACT, 1956

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

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

## DIRECTORS

Shri. G.V.S.Desikan, the Director longest in Office, will be retiring by rotation at the ensuing Annual General Meeting. Being eligible, offers himself for reappointment.

Shri. Rampratap Barasia has resigned from the directorship of the company with effect from 22.06.2005. Your Directors wish to place on record their appreciations for the valuable services rendered by Shri. Rampratap Barasia, during his tenure of his office.

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Further Shri. SP. Sekar was co-opted as an additional director with effect from 22.06.2005. He vacates of office at the ensuing annual general meeting and seeks reappointment.

### **DIRECTORS' RESPONSIBILITY STATEMENTS**

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

- i) In the preparation of the annual accounts, all the applicable accounting standards prevailing in India were followed and recognised.
- ii) The Directors had selected appropriate accounting policies and applied them consistently and also made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2005 and of the profits of the company for the period ended on that date;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors had prepared the annual accounts on a going concern basis

### **AUDITORS**

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

### **LISTING WITH STOCK EXCHANGES**

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

### **ACKNOWLEDGEMENT**

The Directors wish to place on record their gratitude to Union Bank of India, The Catholic Syrian Bank Limited and State Bank of India for their financial assistance.

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

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE

Date : 22.06.2005

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

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

Current Year 2004-2005	Previous Year 2003-2004
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**A. CONSERVATION OF ENERGY:-**

**I. Power & Fuel Consumption:-**

**1. Electricity**

**a) Purchased \***

Units

6242322

6083808

Total amount (Rs.)

27213929

24835572

Rate per Unit (Rs.)

4.36

4.08

\*(Includes power availed from Wind Mills)

**b) Own generation through Diesel Generators:-**

Units (KWH)

77638

114551

Diesel Consumed (Litres)

20915

31200

Total amount (Rs.)

551034

657929

Units per litre of diesel (KWH)

3.71

3.67

Cost per unit (Rs.)

7.10

5.74

**2. Coal**

—

—

**3. Furnace Oil**

—

—

**4. Others/Internal generation**

—

—

**II. Consumption per unit of Production:-**

Production in Kgs

2597208

2473579

Electricity Units

6319960

6198359

Unit/Kg of Yarn

2.43

2.50

**B. Technology Absorption :-**

Since all the machinery installed are new, and also replaced by machinery of latest technology available, no formal in house research and developments activities were undertaken. Product and process development are made on continuous basis.

**C. Foreign Exchange Earnings & Outgo :-**

**i) Total Foreign exchange earned :-**

F.O.B Value of Exports of finished and Trading goods  
(Rs.inLacs)

123.66

91.84

**ii) Remittances in Foreign exchange :-**

Machinery & Spares and Interest on foreign currency loan  
(Rs.in Lacs)

113.79

6.58

BY ORDER OF THE BOARD

(Sd)..

Place: COIMBATORE

Date : 22.06.2005

**SHYAMLAL AGARWALA**  
Managing Director

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

**Industry Structure and Developments :** The Company's sole product range continues to be Cotton Yarn of low and medium counts, catering to the needs of Hosiery/Garment Industry. The Company continues to pursue a policy of constant upgradation of quality of yarn produced, by constant replacement of Machinery of latest technology.

**Opportunities and Threats :** Indian Textile Industry is expected to face severe competition under the WTO regime due to coming up of new capacities in cost effective countries. However, the opportunity of free market economy, under WTO regime, is expected to be beneficial for the players in long run.

**Product-wise performance :** The Company has only one segment of cotton yarn. During the year the yarn production is 2597 Tons (Last year 2474 Tons).

**Outlook :** The outlook of Textile Industry depends entirely on favourable monsoon and stability in price of cotton. The management is also making constant efforts to reduce the cost of production.

**Risks and Concerns :** Being an agro-based industry, the uncertainty of availability of cotton at reasonable prices through out the year is a primary matter of concern. The industry has to depend upon availability of quality cotton from domestic/foreign sources at a remunerative price, encountering stiff competition in the domestic market for sale of finished goods.

**Internal Control systems and their adequacy :** The Company has established adequate internal control system to ensure a close watch over strict control of working capital resources, to minimize the cost of operation and finance, having identified areas of risks in such management.

The Company has made a pretax profit of Rs.61.74 Lacs (Last Year Rs.16.25 Lacs) after providing for current Income tax and Deferred tax. The performance of the company showed overall improvement in terms of production and sales of cotton yarn and waste. The windmills installed in the prior year also contributed to the earnings of the company. The company has achieved profit in spite of stiff competition prevailing in the industries.

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

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

Place: COIMBATORE  
Date : 22.06.2005

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**REPORT ON CORPORATE GOVERNANCE**

**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 Seven Members including Chairman and Managing Director and one Joint Managing Director, both of whom represent the Promoters; the remaining Five Directors are independent Directors who have no business relationship with the Company.

**B) Ceiling of Directorship/Committee position-**

None of the Directors of the Company holds position as a member in more than 10 Committees nor do they act as Chairman of more than 5 Committees across all companies in which he is a Director.

The composition of the Board of Directors and number of other Directorships in Public Limited Companies and number of Committees in which they are member as on 31<sup>st</sup> March 2005 are as tabled below: -

Name of the Directors	Executive/ Non-Executive/ Independent	No. of Other Directorship held	No. of Committee Positions	
			As Chairman	As Member
<b>Sri Shyamlal Agarwala</b> Managing Director	Executive	1	1	1
<b>Sri Manoj Kumar Jhajharia</b> Joint Managing Director	Executive	1	NIL	2
<b>Sri Rampratap Barasia*</b>	Independent	3	NIL	NIL
<b>Sri G.V.S. Desikan</b>	Independent	6	3	2
<b>Sri Kanhaiyalal Sharma</b>	Independent	NIL	NIL	NIL
<b>Sri Dulichand Pansari</b>	Independent	NIL	NIL	1
<b>Sri Mahesh Agarwal</b>	Independent	NIL	NIL	1
<b>Sri SP. Sekar**</b>	Independent	1	NIL	1

C) Board Meeting and Attendance :-

During the period from April 1, 2004 to March 31, 2005 Seven Board Meetings were held on 07.05.2004, 21.06.2004, 30.07.2004, 16.09.2004, 25.10.2004, 28.01.2005 and 30.03.2005

Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 16<sup>th</sup> September 2004 are as tabled below :-

S.No.	Name of the Directors	No. of Meeting		Last AGM Attendance
		Held	Attended	
1.	<b>Sri Shyamlal Agarwala</b> Managing Director	7	7	P
2.	<b>Sri Rampratap Barasia*</b>	7	NIL	DA
3.	<b>Sri G.V.S. Desikan</b>	7	7	P
4.	<b>Sri Kanhaiyalal Sharma</b>	7	NIL	DA
5.	<b>Sri Manoj Kumar Jhajharia</b>	7	7	P
6.	<b>Sri Dulichand Pansari</b>	7	1	P
7.	<b>Sri Mahesh Agarwal</b>	7	2	P
8.	<b>Sri SP. Sekar**</b>			

P - Present DA - Did not attend

D) Details of Directors retiring by rotation and seeking reappointment :-

Name of the Director	Shri. G.V.S. Desikan	Shri. SP. Sekar**
Age	72 Years	47 Years
Date of Appointment	23.02.1995	22.06.2005
Qualifications	B.Sc., B.Sc., (Tech)	M.Tech (Textile Technology)
Expertise in Specific Functional area	More than 50 years in Textile & General Management	More than 23 years of experience in Textile Mills
Other Directorships	1. Shree Kannapiran Mills Ltd., 2. K.G. Textiles Processors (P) Ltd., 3. GDA Technologies Ltd., 4. K.G. Denim Ltd., 5. GDA System P. Ltd., 6. Terravault Networks (P) Ltd.,	1. SVN Textiles Pvt. Ltd.,

Member of Committee : 5 1

\* Resigned with effect from 22.06.2005

\*\* Co-opted as additional director with effect from 22.06.2005

### 3. AUDIT COMMITTEE :-

#### A) Composition, Names of members and Chairperson :-

The Board of Directors of your Company have reconstituted the Audit Committee on 22.06.2005

(1) Sri G.V.S Desikan (2) Sri Mahesh Agarwal and (3) Sri SP. Sekar

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

#### B) Brief description of the terms of reference :-

The terms of reference include all the terms stipulated under clause 45 of the Listing Agreement, which interalia include the following :-

- (1) To oversee of 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.

- (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.
- (12) To review the functioning of the whistle Blower mechanism, in case of reference of the Audit Committee.

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

#### 4. REMUNERATION COMMITTEE :-

The Board of Directors have constituted a remuneration committee on 28.01.2005 to suggest suitable remuneration package payable to managerial personnel on appointment or reappointment from time to time. The following directors are the member of the committee

1. Sri. G.V.S. Desikan - Chairman
2. Sri. Dulichand Pansari
3. Sri. Mahesh agarwal

#### 5. SHAREHOLDERS GRIEVANCE COMMITTEE :-

Your Directors have constituted Shareholders Grievance Committee consisting of the following Directors as its members to attend to the share holders' grievances received from time to time.

- i. Sri G.V.S.Desikan - Chairman
- ii. Sri Shyamlal Agarwala
- iii. Sri Manoj Kumar Jhaharia

Six Complaints were received from shareholders during the financial year 2004-05 and were resolved to the satisfaction of the shareholders. No share transfer was pending as on 31.3.2005.

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- vii) Listing on Stock Exchanges : Ahmedabad, Kolkata, Chennai & Coimbatore
- viii) Market price data : The Shares of Company are listed in Ahmedabad, Kolkata, Chennai and Coimbatore Stock Exchanges. (High, Low during each Month in the financial year 2004-2005 Performance in comparison to broad based Indices such as BSE Sensex, CRISIL Index etc. During 2004-2005 ) During financial year 2004-2005 the shares are not actively traded in the above exchanges and hence the price data are not furnished.
- ix) Register & Transfer Agents : M/s. S.K.D.C. Consultants Limited, Post Box No. 2979, No.11, S.N. Layout, Street No. 1, Tatabad, Coimbatore - 641 012.

x) Share transfer systems :

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

xi) Dematerialisation of shares :

As on 31.03.2005, 365900 Shares constituting 6.838% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

xii) Market Price Data :

The Shares of Company are listed in Ahmedabad, Kolkata, Chennai and Coimbatore Stock Exchanges. During financial year 2004-2005 the shares are not traded in the above exchanges and hence the price data are not furnished

xiii) Distribution of Shareholding :

Range	No. of Shareholders	% of Holders	No. of Shares	% held
Up to 5000	1042	58.18	512700	9.58
5001 to 10000	400	22.33	385300	7.20
10001 to 20000	210	11.73	333800	6.24
20001 to 30000	46	2.57	121400	2.27
30001 to 40000	18	1.01	65100	1.22
40001 to 50000	11	0.61	53200	0.99
50001 to 100000	25	1.40	210500	3.93
100001 and above	39	2.18	3669100	68.57
Total	1791	100.00	5351100	100.00

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xiv) Category-wise distribution of shareholding :

S.No.	Category	No. of Shares	Percentage
	Promoter's Holding		
1.	Promoters	608395	11.370
2.	Persons acting in concern	2488405	46.503
	Sub Total	3096800	57.873
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	38500	0.719
	Sub Total	38500	0.719
	Other		
4.	Private Corporate Bodies	438900	8.202
5.	Indian Public	1776400	33.197
6.	NRI's/OCB's	500	0.009
	Sub Total	2215800	41.408
	Total	5351100	100.000

Total Foreign Share Holding 500 0.009

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

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

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

Place: COIMBATORE  
Date : 22.06.2005

**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 31<sup>st</sup> March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

We state that based on representations made by the management and confirmation given by the Registrar and Share Transfer Agent of the Company, no investor grievances were remaining unattended as on 31.03.2005 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 COY**  
Chartered Accountants

(Sd)..

**V.S.SRINIVASAN**

Partner

Membership No. F 13729

Place: COIMBATORE

Date : 22.06.2005

# 11th Annual Report

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## AUDITORS' REPORT

Auditor's Report to the Member of **SALONA COTSPIN LIMITED**

We have audited the attached Balance Sheet of SALONA COTSPIN LIMITED as at 31st March 2005 and the Profit and 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Annexure referred to in paragraph 2 above, we report that
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii. In our opinion, proper books of accounts as required by Law have been kept by the Company so far as it appears from our examination of those books ;
  - iii. The Balance Sheet , Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
  - iv. 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;
  - v. In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on 31st March 2005, from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2005;
    - (b) 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
    - (c) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date;

**FOR VKS AIYER AND COY**  
Chartered Accountants

(Sd)..

Place: COIMBATORE  
Date : 22.06.2005

**V.S.SRINIVASAN**  
Partner  
Membership No. F 13729

## ANNEXURE TO AUDIT REPORT

Referred to in Paragraph 2 of our report of even date

1. In respect of its fixed assets :
    - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
    - b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
    - c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
  2. In respect of its inventories :
    - a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
    - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
    - c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
  3. The Company has neither granted secured or unsecured loan, nor taken to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
  4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and service. During the course of our audit, we have not observed any major weaknesses in internal controls.
  5. In respect of transactions covered under Section 301 of the Companies Act, 1956 :
    - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
    - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s.301 of the Companies Act 1956, which exceeded rupees five Lacs in respect of any party, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
  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. 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, 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 31<sup>st</sup> March, 2005 for a period of more than six months from the date of becoming payable.
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- b) The disputed statutory dues aggregating to Rs26.97 Lacs, that have not been deposited on account of matters pending before appropriate authorities are as under:

S.No.	Name of the Statute	Nature of the dues	Forum where dispute is pending	Amount (Rs. in Lacs)
1.	Electricity Act	Electricity Tax	High Court of Madras	26.97

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

FOR VKS AIYER AND COY  
Chartered Accountants

(Sd)..

V.S.SRINIVASAN  
Partner

Membership No. F 13729

Place: COIMBATORE  
Date : 22.06.2005

**BALANCE SHEET AS AT 31ST MARCH 2005**

	Sch No.	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:-</b>			
Share Capital	1	52378722	52173780
Reserves & Surplus	2	23736618	22042023
<b>DEFERRED TAX LIABILITY</b>		21892000	17216000
<b>LOAN FUNDS:-</b>			
Secured Loans	3	138099544	110413176
Unsecured Loans	4	68903673	56503427
		<u>305010557</u>	<u>258348406</u>
<b>APPLICATION OF FUNDS:-</b>			
<b>FIXED ASSETS:</b>			
Gross Block	5	227513911	213298969
Less: Depreciation		99737578	89250689
		<u>127776333</u>	<u>124048280</u>
Add: Capital Work-in progress		24886274	185863
Add: Advances paid for Capital goods		38871517	1630000
Net Block		<u>191534124</u>	<u>125864143</u>
<b>INVESTMENTS:-</b>	6	258000	258000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>			
Inventories	7	64172739	112224632
Sundry Debtors	8	48493463	26443021
Cash & Bank Balances	9	6883648	8194864
Loans & Advances	10	14904282	7751530
Accrued Income		1281871	781689
		<u>135736003</u>	<u>155395736</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>	11		
i) Liabilities		14767094	16582857
ii) Provisions		7924363	6934391
		<u>22691457</u>	<u>23517248</u>
<b>NET CURRENT ASSETS (a - b)</b>		<u>113044546</u>	<u>131878488</u>
<b>MISCELLANEOUS EXPENDITURES:</b>			
Expenses Amortised (To the extent not written off)	12	173887	347775
		<u>305010557</u>	<u>258348406</u>

Subject to our report of even date attached  
for VKS AIYER AND COY  
Chartered Accountants

(Sd)..

(V.S.SRINIVASAN)  
Partner

Place: COIMBATORE  
Date : 22.06.2005

On behalf of the Board

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA  
Joint Managing Director

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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	Sch No.	Current Year ended 31.3.2005 Rs.	Previous Year ended 31.3.2004 Rs.
<b>INCOME</b>			
Sales	13	324975558	310540394
Other Income	14	15710682	12273140
		<u>340686240</u>	<u>322813534</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed	15	213983693	215487574
Purchase of Trading Goods-Yarn		13537783	158200
Excise Duty Paid		3870776	15969625
Stores, Spares & Packing Materials Consumed		5652099	5454320
Power & Fuel	16	27764963	25493501
Repairs & Maintenance	17	4146513	2869548
Salaries, Wages & Other Benefits	18	6605818	7976545
Remuneration to Directors	19	844950	876242
Administrative & other Expenses	20	4458299	5227504
Rent, Rates, Taxes & Insurance	21	1976877	3574003
Selling & Distribution Expenses	22	2389462	2472287
		<u>285231233</u>	<u>285559349</u>
Add/Less: Stock Adjustment	23	12750305	(5245381)
		<u>297981538</u>	<u>280313968</u>
		<u>42704702</u>	<u>42499566</u>
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>			
Interest & Finance Charges	24	10825865	8016825
<b>PROFIT BEFORE DEPRECIATION</b>			
Depreciation		31878837	34482741
		<u>20103879</u>	<u>19578566</u>
<b>PROFIT BEFORE TAX</b>			
		11774958	14904175
LESS : Provision for Income Tax		925000	1150000
LESS : Provision for Deferred Tax - Current Year		4676000	5589000
LESS : Provision for Deferred Tax - Previous Year		0	6540000
		<u>6173958</u>	<u>1625175</u>
<b>NET PROFIT</b>			
LESS/ADD : Credit Balance from Last Year		22042023	24831239
		<u>28215981</u>	<u>26456414</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		3928404	3913034
Tax on Dividend		550959	501357
Surplus carried over to Balance Sheet		23736618	22042023
		<u>28215981</u>	<u>26456414</u>
Earnings per Share (Basic & Diluted)		1.15	0.30
(Refer Notes on Accounts)			

Subject to our report of even date attached  
for VKS AIYER AND COY  
Chartered Accountants

(Sd)..  
(V.S.SRINIVASAN)  
Partner  
Place : COIMBATORE  
Date : 22.06.2005

on behalf of the board

(Sd)..  
SHYAMLAL AGARWALA  
Managing Director

(Sd)..  
MANOJ KUMAR JHAJHARIA  
Joint Managing Director

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005**

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.1</b>		
<b>SHARE CAPITAL :-</b>		
<b>AUTHORISED :</b>		
6000000 (6000000) Equity Shares of Rs 10/- each.	60000000	60000000
<b>ISSUED, SUBSCRIBED &amp; PAID UP :</b>		
5351100 (5351100) Equity Shares of Rs 10/- each.	53511000	53511000
Less : Calls in Arrears	1132278	1337220
	<u>52378722</u>	<u>52173780</u>
<b>SCHEDULE No.2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Profit & Loss A/C-Surplus	23736618	22042023
	<u>23736618</u>	<u>22042023</u>
<b>SCHEDULE No.3</b>		
<b>SECURED LOANS :</b>		
i) Term Loans from Banks:		
Union Bank of India	29099783	707444
The Catholic Syrian Bank Ltd.	43734157	50954134
State Bank of India	18498112	0
(Out of above, repayable within a year is Rs 204.27 Lacs) (Last year 107.07 Lacs)		
ii) Foreign Currency Loan - Union Bank of India	0	18247200
iii) Cash Credit from Banks :		
Union Bank of India	10910959	10382
The Catholic Syrian Bank Ltd.	9976862	24120314
State Bank of India	18879751	0
iv) Packing Credit from Banks :		
Union Bank of India	0	12434000
v) Foreign Bills purchased by Banks :		
Union Bank of India (FDBP A/c)	5751597	0
(UDBP A/c)	710105	2317624
vi) Interest accrued and due on Term Loans	538218	1622078
	<u>138099544</u>	<u>110413176</u>
<b>SCHEDULE No.4</b>		
<b>UNSECURED LOANS:</b>		
Intercorporate Loans	3250000	3250000
Interest accrued and due	308849	310048
IFST Deferral Scheme Loan	65344824	52943379
	<u>68903673</u>	<u>56503427</u>

## SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005

### SCHEDULE No.5 FIXED ASSETS

	COST				DEPRECIATION				W.D.V	
	As at 01.04.2004 RS	Additions/ Transfers Rs	Deletions/ Transfers Rs	As at 31.03.2005 Rs	As at 01.04.2004 Rs	for the year Rs	withdrawn Rs	As at 31.03.2005 Rs	As at 31.03.2005 Rs	As at 31.3.2004 Rs
Land	761422	0	0	761422	0	0	0	0	761422	761422
Buildings	28572666	2013908	0	30586574	6139414	881898	0	7021312	23565262	22433255
Plant & Machinery	125809172	24030283	12003288	137836167	75949775	13226688	9616993	79559470	58276697	49859397
Wind Electric Generator	54806530	0	0	54806530	5682521	5666995	0	11349516	43457014	49124009
Vehicles	1603659	69150	0	1672809	627717	155740	0	783457	889352	975942
Furniture & Fittings	444613	0	0	444613	190411	19849	0	210260	234353	254202
Office Equipments	1289707	104889	0	1394596	658701	152177	0	810878	583718	631006
Canteen Equipments	11200	0	0	11200	2153	532	0	2685	8515	9047
<b>TOTAL</b>	<b>213298969</b>	<b>26218230</b>	<b>12003288</b>	<b>227513911</b>	<b>89250692</b>	<b>20103879</b>	<b>9616993</b>	<b>99737578</b>	<b>127776333</b>	<b>124048280</b>
Capital Work in progress - Machinery	185863	24886274	185863	24886274					24886274	185863
	213484832	51104504	12189151	252400185	89250692	20103879	9616993	99737578	152662607	124234143
Previous Year Total	213882949	594323	992440	213484832	70178711	19578566	506588	89250692	124234143	143704238

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**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005**

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.6</b>		
<b>INVESTMENTS</b>		
<b>In Equity Shares (Quoted) :</b>		
3500 Equity shares of Rs. 16/ each in Union Bank of India (Market Value Rs. 395675)	56000	56000
<b>In Equity Shares (Unquoted) :</b>		
20000 Equity shares of Rs 10/each in Sarvamangalam Synthetics Ltd.	200000	200000
<b>In Government Securities (Unquoted) :</b>		
National Savings Certificate ( Pledged with Government of India)	2000	2000
	<u>258000</u>	<u>258000</u>
<b>SCHEDULE No.7</b>		
<b>INVENTORIES</b>		
Stock of Finished goods-Yarn	8044967	22239775
Stock in Process	3365491	5385734
Stock of Waste-Cotton	216603	154894
Stock of Stores, Spares & Packing Materials	2424822	1754975
Stock of Raw Materials	50120856	82689254
	<u>64172739</u>	<u>112224632</u>
<b>SCHEDULE No.8</b>		
<b>SUNDRY DEBTORS (Unsecured )</b>		
<b>(i) Considered Good</b>		
Debts Exceeding Six months	3546217	7164677
Other Debts	46467246	20798344
	<u>50013463</u>	<u>27963021</u>
<b>(ii) Considered Doubtful</b>		
Less : Provision for Doubtful debts	1520000	1520000
	<u>48493463</u>	<u>26443021</u>
<b>SCHEDULE No.9</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on hand	235317	187461
Cash with Scheduled Banks - in Current A/Cs	487968	3594011
- in Deposit A/Cs	6160363	4413392
	<u>6883648</u>	<u>8194864</u>

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## SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered good, Recoverable in Cash or in kind)		
Advances for Purchases / Expenses	5750702	152962
Advance to Staff and other operatives	132825	135738
Deposits with Govt. & Other Authorities	3385882	2973557
Excise Duty/Modvat Advances	1702162	409902
Prepaid Expenses	300815	284811
Advance Income Tax/TDS	3517086	3679750
Advances to others	114810	114810
	<u>14904282</u>	<u>7751530</u>
<b>SCHEDULE No.11</b>		
<b>A) CURRENT LIABILITIES</b>		
Liability for Purchases	10117950	9936292
Liability for Expenses	4380692	6496892
Unclaimed Dividends	268452	149673
	<u>14767094</u>	<u>16582857</u>
<b>B) PROVISIONS</b>		
Provision for Income Tax	3445000	2520000
Provision for Proposed Dividend	3928404	3913034
Provision for Tax on Dividend	550959	501357
	<u>7924363</u>	<u>6934391</u>
<b>SCHEDULE No.12</b>		
<b>MISCELLANEOUS EXPENDITURES :</b>		
Preliminary & Pre Operative Expenses	64970	97455
Less:1/10th written off	32485	32485
	<u>32485</u>	<u>64970</u>
Shares Issue Expenses	282805	424208
Less:1/10th written off	141403	141403
	<u>141402</u>	<u>282805</u>
<b>Total</b>	<u>173887</u>	<u>347775</u>

**SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2005**

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.13</b>		
<b>SALES</b>		
Yarn Sales :		
Domestic Sales(Incl. Excise Duty)	293437414	259021819
Direct Export Sales	0	9338223
Trading Export Sales	12767901	20634987
	<u>306205315</u>	<u>288995029</u>
Waste Sales	18225226	20954756
Export Incentive Sales	545017	590609
	<u>324975558</u>	<u>310540394</u>
<b>SCHEDULE No.14</b>		
<b>OTHER INCOME</b>		
Interest on Bank Deposits and others	1052716	951698
Wind Electricity Charges	12325706	11230150
Income from Investment - Dividend	12250	14350
Profit on Sale of Fixed Assets	2043865	0
Sundry Credits written back	168447	0
Miscellaneous Sales	107698	76942
	<u>15710682</u>	<u>12273140</u>
<b>SCHEDULE No.15</b>		
<b>RAW MATERIAL CONSUMED :</b>		
Opening Stock-Cotton	82689254	53059229
-Cotton in Process	5264717	2954482
Add: Cost of Cotton purchased	178012258	247427834
	<u>265966229</u>	<u>303441545</u>
Less: Closing Stock-Cotton	50120856	82689254
-Cotton in Process	1861680	5264717
	<u>213983693</u>	<u>215487574</u>
<b>SCHEDULE No.16</b>		
<b>POWER &amp; FUEL</b>		
Power	27213929	24835572
Generator Fuel	551034	657929
	<u>27764963</u>	<u>25493501</u>

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## SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2005

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.17</b>		
<b>REPAIRS &amp; MAINTENANCE</b>		
Machinery Maintenance	2327990	1642456
Electrical Maintenance	84231	60323
Generator Maintenance	18095	11051
Building Maintenance	833339	436782
Vehicle Maintenance	504492	394030
Office Equipment Maintenance	166594	188757
General Maintenance	211772	136149
	<u>4146513</u>	<u>2869548</u>
<b>SCHEDULE No.18</b>		
<b>SALARIES, WAGES AND OTHER BENEFITS</b>		
Salaries & Wages	3602859	4902640
Stipend to Trainees	944972	986122
PF Contribution	211783	204049
Employee Gratuity	54780	53705
Other Benefits	1791424	1830029
	<u>6605818</u>	<u>7976545</u>
<b>SCHEDULE No.19</b>		
<b>REMUNERATION TO DIRECTORS</b>		
Remuneration to Managing Director	450000	450000
Remuneration to Whole time Director	270000	270000
Commission to Managing Director	124950	156242
	<u>844950</u>	<u>876242</u>
<b>SCHEDULE No.20</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Directors Sitting Fees	9000	13000
Printing and stationery	156221	175211
Postage, Telephone and Telegram	479255	425760
Professional charges & Legal Fees	213495	239395
Travelling & conveyance expenses	885552	715726
Advertisement Expenses	69872	33715
Bad Debts Written off	636214	0
Provision for Doubtful Debts	0	1520000
Preliminary & Pre Operative Expenses Written Off	32485	32485
Share Issue Expenses written off	141403	141403
Loss on Sale of Assets	0	155852
Other Expenses	1834802	1774957
	<u>4458299</u>	<u>5227504</u>

**SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2005**

	Current Year As at 31.3.2005 Rs.	Previous Year As at 31.3.2004 Rs.
<b>SCHEDULE No.21</b>		
<b>RENT, TAXES &amp; INSURANCE</b>		
Insurance	1613187	1460634
Rent	146500	150000
Rates & Taxes	217190	1963369
	<u>1976877</u>	<u>3574003</u>
<b>SCHEDULE No.22</b>		
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Commission, Brokerage & Rebates	1624072	1962179
Expenses on Export Sales	522276	458270
Freight on Yarn sales	243114	51838
	<u>2389462</u>	<u>2472287</u>
<b>SCHEDULE No.23</b>		
<b>CHANGE IN STOCK OF FINISHED GOODS &amp; SEMI FINISHED GOODS</b>		
Opening Stock:		
Finished Goods - Yarn	22239775	16892519
Stock in Process	121017	61312
Stock of Waste Cotton	154894	316474
	<u>22515686</u>	<u>17270305</u>
Closing Stock:		
Finished Goods -Yarn	8044967	22239775
Stock in Process	1503811	121017
Stock of Waste Cotton	216603	154894
	<u>9765381</u>	<u>22515686</u>
A	<u>12750305</u>	<u>-5245381</u>
B		
A-B		
<b>SCHEDULE No.24</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest on Fixed Loans	5952879	4876071
Interest on Working Capital Credits	3127748	1826169
Interest on Unsecured Loans	390000	390000
Bank Charges	1140243	913199
Hire Purchase Finance Charges	0	4000
Bill discounting charges	214995	7386
	<u>10825865</u>	<u>8016825</u>

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## SCHEDULE NO.25

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2005

### I. SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS FOR PREPARATION OF ACCOUNTS :

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 the Accounting Standards prevailing in the country.

#### (B) REVENUE RECOGNITION :

- i. Accrual basis of accounting is followed by the company for all regular sources of income and expenses.
- ii. Sales are accounted on transfer of property in the 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. Income from import entitlements representing face value of DEPB Licence is accounted for in the year in which the export sale is made and the premium from sale of such Licence is accounted for as and when the sale is made.
- iv. Income includes value of captive consumption of Wind Electricity produced and consumed by the Textile Mill, evaluated at the rates charged by the State Electricity Board.

#### (C) PRELIMINARY, PRE-OPERATIVE AND SHARE ISSUE EXPENSES :

- i. Preliminary Expenses, specified Pre-operative expenses and share issue expenses have been amortised and 1/10th of the aggregate expenses has been charged to the Profit and Loss Account from the year of commencement of Commercial production.
- ii. All other pre-operative expenses have been capitalised under buildings, plant and machinery.

#### (D) FIXED ASSETS :

- i. Fixed assets are stated at cost and are inclusive of pre-operative expenses capitalised.
- ii. Provision for Depreciation on Fixed assets has been made adopting the Straight Line 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.

#### (E) CENVAT CREDIT :

- 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.

#### (F) INVESTMENTS :

All the investments are treated as Non-current and valued at cost.

#### (G) INVENTORY :

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

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- i) Raw Materials : at lot wise cost
- ii) Finished goods - Yarn : at cost or market rate whichever is less
- saleable waste : at since realised market rate
- iii) Stock in process : at cost
- iv) Stock of packing : at cost on FIFO method
- materials and Stores/Spares

**(H) 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 is net of exchange fluctuation gain/loss realised/incurred and accounted for as per realisation certificate received from the bankers.

**(I) RETIREMENT BENEFITS :**

The Company has made provision for accrued employee gratuity evaluated on actual basis ; there are no other schemes for retirement benefit in force in the company.

**(J) DEFERRED TAX :**

As per Accounting Standard 22 of Institute of Chartered Accountants of India (ICAI), provision for deferred tax liability and deferred tax assets, has been created for timing difference in tax treatment of income/expenses, with reference to the Accounting treatment adopted by the Company; Adjustment for increase/decrease in deferred tax liability or assets for subsequent periods, is made through Profit and Loss account of the respective years.

**(K) IMPAIRMENT OF ASSETS :**

Impairment of Assets, as required by Accounting Standard (AS) 28 of the Institute of Chartered Accountants of India (ICAI) is determined as on each Balance Sheet date, based on cash generating units; There were no assets as on the Balance Sheet date for which provision is required for impairment of assets.

**II. NOTES ON ACCOUNTS**

**1. SECURED LOANS :**

- (i) Term Loan for Phase IV of the project aggregating to Rs.150.00 Lacs (Amount outstanding Rs. 70.96 Lacs) from The Catholic Syrian Bank Ltd., is secured by hypothecation of the machinery purchased under the project
- (ii) Machinery Loan of Rs.412.50 Lacs (Amount outstanding Rs.344.76 Lacs) from the Catholic Syrian Bank Ltd., for purchase of two numbers of Wind Electric Generators is secured by hypothecation of the machinery.
- (iii) Machinery Loan of Rs.26.35 Lacs (Amount outstanding Rs.25.37 Lacs) from the Catholic Syrian Bank Ltd., for purchase of One number of Autoconer is secured by hypothecation of the machinery.
- (iv) Machinery Loan of Rs.390.00 Lacs (Amount outstanding Rs.292.14 Lacs) from Union Bank of India is secured by hypothecation of the machinery purchased under the project.
- (v) Machinery Loan of Rs.721.00 Lacs (Amount outstanding Rs.185.47 Lacs) from State Bank of India is secured by hypothecation of the machinery purchased under the project.
- (vi) Cash Credit and other working capital loans aggregating to Rs.712.47 Lacs (Limit sanctioned), Foreign Bills discounting facilities Rs.100.00 Lacs (Limit sanctioned) from UBI, CSB and SBI are secured by hypothecation of stocks of raw materials, finished and semi finished goods, stock of stores and spares and receivables on sales.
- (vii) The above loans are secured by equitable mortgage by deposit of title deeds of immovable property belonging to the company; the Loans are further secured by mortgage of personal property of the Managing Director and a Director, besides personal guarantee of the Managing Director and Three Directors of the Company. The loans are ranking pari-passu with each other as per agreement executed between the Bankers and the Company except State Bank of India for fresh Loan, for whom execution of pari-passu agreement is under progress.

- 2. Investment of Rs.2,000 in National Savings Certificate has been pledged with Government authorities in connection with the Company's business.
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## 3. Deposits with Banks include :

- (i) Rs.17,84,038/- (16,75,619/-) pledged with the Bank as security for guarantee issued by them in favour of TNEB authorities against electricity subsidy availed and disputed by TNEB authorities, pending disposal of the suit filed by the Company;
  - (ii) Rs.6,91,016/- (Rs.6,33,685/-) pledged with Bank as security for guarantee issued in favour of The President of India, acting through the Commissioner of Customs, Tuticorin for Import of raw cotton & Import Machinery against export obligation.
4. (i) Provision for Income-tax (Minimum Alternative Tax) has been made in the accounts on book profits as per Section 115JB of Income Tax Act, 1961; the company is otherwise not liable for regular income tax.
- (ii) Income Tax Assessments of the Company have been completed upto the Assessment Year 2001-2002; no further tax liability is likely to arise in respect of pending assessments.
- (iii) Provision for deferred tax liability has been worked out as under :

	Year Ended 31.3.2005 (Rs. in Lacs)	Year Ended 31.3.2004 (Rs. in Lacs)
<b>Deferred Tax Liability :</b>		
Tax on Depreciation difference	283.28	281.31
<b>Deferred Tax Asset :</b>		
Tax on Unabsorbed Depreciation & Others	57.49	98.47
Deferred Tax Liability	225.79	182.84
Less : Tax credit u/s. 115JAA	6.87	10.68
Net Deferred Tax Liability	218.92	172.16
Increase in Deferred Tax Liability	46.76	

5. In terms of AS 2 of ICAI in the previous year, finished goods had been valued including excise duty applicable on closing stock with corresponding provision included in Rates & Taxes. However, closing stock of current year is not valued including excise duty as the company opted for clearance at Nil duty and hence no provision for excise duty is made as expenses. The change in method of valuation has no impact on Net Profit.
6. The Company is contingently liable:-
- (i) For electricity tariff subsidy availed, the claim being disputed by the Department: Rs.52.75 Lacs. (52.75 Lacs)
  - (ii) Claim by Foreign supplier not acknowledged as debts towards import of cotton Rs.11.90 Lacs. (Rs.11.90 Lacs)
  - (iii) Disputed Electricity tax on captive consumption on electricity from generator set and Wind mills. Demand stayed by the High Court of Madras Rs.33.74Lacs (Rs. 19.55 Lacs)
  - (iv) Estimated amount of contract on Capital account, not provided for Rs.740.93 Lacs. (Rs.186.46)
7. Other Income includes Wind Electricity charges of Rs.123.26 Lacs earned by Captive Consumption of Wind Electricity Produced and transferred to the Textile Mill.

## 8. (i) Managerial Remuneration :

(Rupees)

Remuneration	Fixed Salary	Perquisites	Commission	Total
Managing Director	3,00,000 (3,00,000)	1,50,000 (1,50,000)	1,24,950 (1,56,242)	5,74,950 (6,06,242)
Whole Time Director	1,80,000 (1,80,000)	90,000 (90,000)	NIL (NIL)	2,70,000 (2,70,000)

ii) Calculation of commission to Managing Director

		Rs.
Net Profit as per Profit & Loss Account		6173958
Add : Depreciation charged to account	20103879	
Provision for Taxation	925000	
Provision for Deferred Tax	4676000	
Managing Director's Remuneration	574950	
Director's Remuneration	270000	
	<u>26549829</u>	
		<u>32723787</u>
Less : Depreciation under section 350		20103879
		<u>12619908</u>
Commission 1% on Net profit payable to the Managing Director		<u>124950</u>

9. Remuneration to Auditors :

- i. Out of other Administration expenses (Schedule 21): - Rs.35,815/- (Rs.35,100) for Audit fee, Rs.8,265/- (Rs.8,100/-) for Tax Audit , Rs.4,408/- (Rs. 15,120) for Taxation services.
- ii. Out of Professional charges & Legal fees: - Towards Certificates issued Rs.9,273/- (Rs.17,300/-) and for Financial/Company Law advisory services Rs.NIL (Rs.20,200/-)

10. Related Party Disclosure :

The following are the disclosure and transactions with related parties in terms of Accounting Standard 18 issued by the Institute of Chartered Accountants of India (ICAI) :

(i) KEY MANAGEMENT PERSONNEL :

Sl. No.	Name of the related party	Relatives
01.	Shri SHYAMLAL AGARWALA (Managing Director)	a) Mrs. Pista Devi Jhajharia (Wife) b) Mr. Manoj Kumar Jhajharia (Son) c) Mr. Pramod Kumar Jhajharia (Son) d) Mr. Arun Kumar Jhajharia (Son) e) Mr. Mahesh Agarwala (Brother)
02.	Shri MANOJ KUMAR JHAJHARIA (Joint Managing Director)	a) Mr. Shyamlal Agarwala (Father) b) Mrs. Pista Devi Jhajharia (Mother) c) Mrs. Krishna Agarwala (Wife) d) Mr. Pramod Kumar Jhajharia (Brother) e) Mr. Arun Kumar Jhajharia (Brother)
03.	Shri PRAMOD KUMAR JHAJHARIA (Chief Executive)	a) Mr. Shyamlal Agarwala (Father) b) Mrs. Pista Devi Jhajharia (Mother) c) Mr. Manoj Kumar Jhajharia (Brother) d) Mr. Arun Kumar Jhajharia (Brother) e) Mrs. Sabita Agarwala (Wife)

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## (ii) TRANSACTIONS WITH RELATED ENTERPRISES

(Rupees)

Sl. No.	Name of the Related Enterprise	Nature of transaction	Amount Rs.	Amount Outstanding as on 31.3.05	Amount written off/ written back during the period
01.	M/s. Preeti Tex (Partnership firm of 2 directors and their relatives)	Purchase of Raw Material & Sale of Finished goods	11650440 (33411790)	NIL	NIL
02.	M/s. Preeti Enterprises (Smt. Pista Devi Jhajharia W/o. Shyamal Agarwala-Proprietrix)	Sale of Finished goods	318203 (2114589)	NIL	NIL
03.	M/s. Mayur Tex (Shri. Pramod Kumar Jhajharia)	Sale of Finished goods	59100 (NIL)	NIL	NIL
04.	Smt. Sabita Agarwala (W/o. Shri. Pramod Kumar Jhajharia)	Rent for Administrative Office Building	72000 (72000)	60000 (60000) (Rent Advance)	NIL

## (iii) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL :

Remunerations paid to the Key Management Personnel are furnished to in Note No. 8(i).

### 11. Quantitative and other particulars:-

#### i) Details of Capacity

- Licensed capacity
- Installed capacity(Spindles)

#### ii) Details of Production

- Cotton Yarn
- Waste
- Wind Electricity

#### iii) Details of Turnover

- Cotton Yarn - Own Manufacture
- Cotton Yarn - Trading
- Waste
- Wind Electricity

#### iv) Details of Purchases

Cotton Yarn for Trade

#### v) Details of Consumption : Cotton

Indigenous

Imported

#### vi) Details of Opening & Closing Stocks :-

##### a) Opening Stock

Finished goods:-

Cotton Yarn

Trading Yarn

Saleable Waste

Kgs

Rs

Kgs.

Rs.

Kgs.

Rs.

Current year

Previous year

NA

11088

NA

10800

2597208

831192

3808149

2473579

859932

3434400

2688782

287713797

101181

12767901

828370

18225226

3535401

12325706

2471775

271437825

1200

164400

863987

20954756

3138610

11230150

101181

13537783

1200

158200

3144606

195369303

301307

15211353

3232159

203475022

211306

14322788

173688

22239775

Nil

Nil

15383

154894

170412

16892519

Nil

Nil

19438

316474

Process stock	Rs.	121017	61312
Raw materials	Kgs.	1204191	951793
	Rs.	82689254	53059229
b) Closing Stock			
Finished goods:-			
Cotton Yarn	Kgs.	82115	173688
	Rs.	8044967	22239775
Trading Yarn	Kgs.	Nil	Nil
	Rs.	Nil	Nil
Saleable Waste	Kgs.	18205	15383
	Rs.	216603	154894
Process stock	Rs.	1503811	121017
Raw Materials	Kgs.	1008483	1204191
	Rs.	50120856	82689254
vii) Consumption :-			
Spares & Components	Rs.	5652099	5454320
(Fully Indigenous)			
viii) Expenditure in Foreign Currency :			
Import of Machinery (C.I.F. Value)	Rs.	10334836	Nil
Interest on Foreign Currency Loan	Rs.	1044032	658342
ix) Earnings in Foreign Exchange :			
FOB Value of Exports	Rs.	12365997	9184022
x) a) Remittances in Foreign currencies			
on account of dividends to			
Non-Resident Shareholders		NIL	NIL
b) Number of Non-Resident Shareholders		1	1
c) Number of Shares held by them		500	500
12. Earnings per Share (Basic & diluted)		31.03.2005	31.03.2004
i) Profits after tax as Profit & Loss account	Rs.	6173958	1625175
ii) No. of Equity Shares	Nos.	535100	535100
iii) Nominal value per share	Rs.	10	10
iv) Earnings per share		1.15	0.30

13. The previous year figures have been regrouped or reclassified wherever required to correspond to the classifications adopted in the current year; figures in brackets denote previous year figures.

**SIGNATORIES FOR SCHEDULES 1 to 25**

Subject to our report of  
even date attached

on behalf of the board

for VKS AIYER AND COY  
Chartered Accountants

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

(Sd)..  
V.S. SRINIVASAN  
Partner

(Sd)..

MANOJ KUMAR JHAJHARIA  
Joint Managing Director

Place: COIMBATORE

Date : 22.06.2005

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2005

	(Rs.inLacs) 31.3.2005	(Rs.in Lacs) 31.3.2004
<b>A. Cash flow from Operating Activities:-</b>		
Profit before tax	117.75	149.04
Adjustments for:-		
Depreciation	201.04	195.79
Preliminary expenses written off	1.74	1.74
Interest paid	108.26	80.17
Interest receipts	(-) 10.53	(-) 9.52
Operating Profits before Working Capital Changes	418.26	417.22
Adjustments for:-		
Inventories	480.52	(-) 373.08
Debtors	(-) 220.50	(-) 75.08
Loans, advances & Interest	(-) 76.53	(-) 10.24
Misc. Expenditure	0.00	0.00
Liabilities	(-) 62.30	(-) 141.84
<b>Total A</b>	<b>539.45</b>	<b>(-) 183.02</b>
<b>B. Cash flow from Investment Activities:-</b>		
Purchase of Fixed Assets	(-) 857.74	3.98
Increase in Investments	0.00	0.00
<b>Total B</b>	<b>(-) 857.74</b>	<b>3.98</b>
<b>C. Cash flow from Financial Activities:-</b>		
Increase in Share Capital	2.05	2.17
Increase in Borrowings:-	503.95	564.18
Secured Loans	(-) 324.82	(-) 543.01
Unsecured Loans	124.00	114.73
<b>Total C</b>	<b>(-) 305.18</b>	<b>138.07</b>
Net increase in Cash & Cash equivalents A+B+C	(-) 13.11	(-) 40.97
Opening balance Cash & Cash equivalents	81.95	122.92
Closing balance Cash & Cash equivalents	68.84	81.95
Net Increase/(Decrease) in Cash equivalents	13.11	40.97

Subject to our report of  
even date attached

on behalf of the board

for VKS AIYER AND COY  
Chartered Accountants

(Sd)..

V.S. SRINIVASAN

Partner

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA  
Joint Managing Director

Place: COIMBATORE  
Date : 22.06.2005

**NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2005**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS :-**

Registration No. : 181-4797  
State Code : 18  
Balance Sheet date : 31.3.2005

**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 : 305011  
Total Assets : 305011

**Sources of Funds (Rs.)**

Paid-up Capital : 52379  
Share Application Money : 0  
Reserves & Surplus : 23737  
Deferred Tax Liability : 21892  
Secured loans : 138100  
Unsecured Loans : 68903

**Application of Funds (Rs.)**

Fixed Assets : 191534  
Investments : 258  
Net Current Assets : 113045  
Miscellaneous Expenditure : 174

**IV. PERFORMANCE OF COMPANY (RS.)**

Turnover : 340686  
Total expenditure : 328911  
Profit Before Tax : 11775  
Profit After Tax : 6174  
Earning per share in Rs. : 1.15  
Dividend rate : 7.50%

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

Items code No.(ITC Code)	Product description
520511.01	Cotton Yarn

ON BEHALF OF THE BOARD

(Sd)..

(Sd)..

Place: COIMBATORE  
Date : 22.06.2005

**SHYAMLAL AGARWALA**  
Managing Director

**MANOJ KUMAR JHAJHARIA**  
Joint Managing Director



Regd. Office : S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk

**ATTENDANCE SLIP**

I hereby record my presence at the Eleventh Annual General Meeting of the Company to be held at the Registered Office of the Company at Mill Premises, S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu on Wednesday the 28th day of September, 2005 at 10.00 a.m.

Name of the Member ..... Folio No..... No. of Shares.....
---

Name of Proxy / Representative ( In Block Letters ) (To be filled in if the Proxy attends instead of the Member)
---

Signature of the Share Holder / Proxy
---------------------------------------



Regd. Office : S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Vallipalayam (Post), Sathy Taluk

**PROXY FORM**

I / We.....  
of.....  
being a member / members of SALONA COTSPIN LIMITED hereby appoint .....  
of .....  
or failing him ..... of .....  
or failing him ..... of .....  
as my / our Proxy to attend and vote for me/ us on my / our behalf of the Eleventh Annual General Meeting of the Company to be held on Wednesday the 28th day of September, 2005 at the Registered Office of the Company at Mill Premises, S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu and at any adjournment thereof.

Signed this.....day of.....2005

Member Folio Number

Signature

Affix a
Rs.1.00
Revenue
Stamp

Note : The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

Book - Post

*If undelivered, please return to :*

**SALONA COTSPIN LIMITED**  
9, Ramalinga Nagar, 4th Cross,  
Saibaba Colony, Coimbatore - 641 011