



# Salona Co/Spin LIMITED

12<sup>TH</sup> ANNUAL REPORT  
2005 - 2006

**TWELFTH ANNUAL REPORT**  
2005 - 2006

**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.

**WIND MILLS**

Panakudi Village, Tirunelveli District.

Sinjuvadi Village, Pollachi Taluk.

**ADMINISTRATIVE OFFICE**

No. 9, Ramalinga Nagar, IV Cross

Saibaba Colony, Coimbatore - 641 011.

**SHARE TRANSFER AGENTS**

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

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 TWELFTH Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 27th September 2006 at 10.30 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 31.3.2006 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 Sri. Dulichand Pansari, who retires by rotation and being eligible, offers himself for reappointment.
4. To elect a Director in the place of Sri. Kanhaiyalal Sharma, who retires by rotation and being eligible, offers himself for reappointment.
5. 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 :-**

6. To consider and if thought fit to pass with or without modification, the following ordinary resolution:-  
**RESOLVED THAT**, In partial modification of the earlier resolution passed in this regard, approval of shareholders of the company be and is hereby accorded for the modification of remuneration payable to Sri. Shyamlal Agarwala, Managing Director for the remaining tenure of office with effect from 01.07.2006 as detailed below :
  - I. **SALARY** : RS.50,000/- (Rupees Fifty 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.6 Lacs (Rupees Six 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.

**BY ORDER OF THE BOARD**

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE

Date : 21.06.2006

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

**RESOLVED THAT,** approval of the shareholders be and is hereby accorded for the reappointment of Sri. Manoj Kumar Jhaharia as Joint Managing Director of the Company for a further period of 5 years with effect from 01.07.2006 and for the payment of following remuneration :

**I. SALARY :** Rs.45,000/- (Rupees forty five thousand only) per month.

**II. 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.

**III. OTHER PERQUISITES :**

At the discretion of the Board of Directors up to a sum not exceeding annual salary. i.e. Rs. 5.40 Lacs (Rupees Five Lacs and forty thousand only)

**IV. 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.

**BY ORDER OF THE BOARD**

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE

Date : 21.06.2006

**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 21.09.2006 to 27.09.2006 (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.

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

(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	: Shri. Dulichand Pansari	Shri. Kanhaiyalal Sharma
Age	: 67 Years	70 Years
Date of Appointment	: 23.02.1995	23.02.1995
Qualifications	: Intermediate	Intermediate
Expertise in Specific Functional area	: More than 45 years of experience in Textile Business	More than 47 years in Industries
Other Directorships	: Nil	Nil
Member of Committee	: 1	Nil

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

**Item No.6 of the Agenda:**

Shri Shyamlal Agarwala, the Chief Promoter of the Company, has been Managing Director from the inception of Company. He was reappointed by the Board of Directors for a further period of 5 Years with effect from 01.04.05. Considering the increased functional responsibilities and growth achieved by the company in recent years, the Board of Directors as per the recommendations of the remuneration Committee held on 21.06.2006 approved the enhancement of remuneration payable to Shri Shyamlal Agarwala, Managing Director for the remaining tenure of office with effect from 01.07.2006.

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

The terms and conditions contained in the text of the resolution for his appointment may be treated as the notice u/s 302(7) of the Companies Act, 1956.

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

**Item No.7 of the Agenda:**

The term of office of Sri Manoj Kumar Jhajharia as Joint Managing Director expires on 30.06.2006. Sri Manoj Kumar Jhajharia is holding office of Director of the company from inception. He has been whole time Director since 01.07.1998. In view of his qualifications and experience in textiles business, the Board of Directors as per the recommendations of the remuneration committee held on 21.06.2006 approved the appointment and remuneration payable to him for a further period of five years with effect from 01.07.2006.

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

The terms and conditions contained in the text of the resolution for his appointment may be treated as the notice u/s 302(7) of the Companies Act, 1956.

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

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE  
Date : 21.06.2006



# 12th Annual Report

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## REVIEW OF OPERATIONS

Your Directors are glad to inform you that the spinning capacity of the unit is increased from 11088 Spindles to 15120 Spindles during the year. The Company has installed imported knitting machines for manufacture of Fabrics. With increase in capacity of spinning and better utilization the unit has produced higher quantity of cotton yarn viz., 29.48 Lacs Kgs. as against 25.97 Lacs Kgs. in last year. 0.57 Lacs Kgs. of Knitted Fabrics was produced during the year. The sale of cotton yarn increased to 29.05 Lacs Kgs. as against 26.89 Lacs Kgs. in last year. The gross sales turnover amounted to Rs. 3294.00 Lacs as against Rs. 3249.75 Lacs in the previous year. However the sales in terms of value increased marginally only, due to decline in selling rate of yarn, and fall in price of cotton. The profitability of the Mill improved substantially due to availability of good quality of domestic cotton at a relatively lower price compared to earlier year.

During the year under review, the company installed one more wind mill of 750 KW. The wind mills generated 46.36 Lacs units of wind electricity as against 35.21 Lacs units in the previous period. The Wind electricity was consumed captively by use in the Textile Mill, which also helped the company to improve profitability.

## OUTLOOK FOR THE IMMEDIATE FUTURE

The Company continued to pursue the policy of constant modernization by upgrading the textile machines, to improve quality and quantity. Further proposals are under consideration for expansion in capacity. Your Directors are optimistic of continued good performance in the immediate future, subject to availability of good quality cotton at a reasonable price.

## FINANCES

During the year under review, the Company could collect calls in arrears to the extent of Rs.2.29 Lacs. The paid up Share Capital of the company stood at Rs. 526.07 Lacs. Efforts are being taken to realise the balance of calls in arrears of Rs.9.04 Lacs. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.343.32 Lacs, after providing for deferred tax, for an amount of Rs.48.73 Lacs. The liability for interest free sales tax deferred credit stood at Rs.745.81 Lacs. (Rs.653.45 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. Dulichand Pansari and Shri. Kanhaiyalal Sharma the Director longest in Office, will be retiring by rotation at the ensuing Annual General Meeting. Being eligible, they offers themselves for reappointment.

The term of office of Shri. Manoj Kumar Jhaharia as Joint Managing Director expires on 30.06.2006. The Board of Directors at their meeting held on 21.06.2006 has reappointed him for a further period of five years with effect from 01.07.2006.

## 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 2006 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 AND THEIR REMUNERATION

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.

With regard to the Auditor's remarks for non provision of Fringe Benefit Tax, the relevant Note No.7 of Notes of Accounts (Schedule No.25) is fully self explanatory of the Company's stand that no further reply is separately furnished for the remarks.

## 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 conditions of listing agreements.

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

## ACKNOWLEDGEMENT

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

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 : 21.06.2006



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 2005-2006	Previous Year 2004-2005
<b>A. CONSERVATION OF ENERGY:-</b>		
<b>I. Power &amp; Fuel Consumption:-</b>		
<b>1. Electricity</b>		
a) Purchased		
Units	3404848	3120692
Total amount (Rs.)	16832559	14888223
Rate per Unit (Rs.)	4.94	4.77
b) Own generation through Diesel Generators:-		
Units (KWH)	166120	77638
Consumed (Litres)	43995	20915
Total amount (Rs.)	1310973	551034
Units per litre of diesel (KWH)	3.78	3.71
Cost per unit (Rs.)	7.89	7.10
2. Coal	—	—
3. Furnace Oil	—	—
4. Others/Internal generation		
Wind Electricity through own WEG's (Unit)	4635792	3521630
Total Amount (Rs.)	16225274	12325706
<b>II. Consumption per unit of Production:-</b>		
Production in Kgs	2947594	2597208
Electricity Units	8206760	6719960
Unit/Kg of Yarn	2.78	2.59

**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.

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

i) Total Foreign exchange earned :-		
F.O.B Value of Exports of finished and Trading goods (Rs.inLacs)	8.14	123.66
ii) Remittances in Foreign exchange :-		
Machinery & Spares (Rs.in Lacs)	190.30	113.79

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE  
Date : 21.06.2006

## 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 up gradation of quality of yarn produced, by installing machineries so that produced by the Company are of high quality.

**Opportunities and Threats :** Indian Textile Industry has geared up to meet the competition under the WTO regime arising from 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, by constant up gradation of product quality.

**Product-wise performance :** The Company has only one segment of cotton yarn and fabrics. During the year the yarn production is 2948 Tons & Fabrics 57 Tons. (Last year Yarn 2597 Tons. Fabrics - Nil)

**Outlook :** The outlook of Textile Industry continues to be robust, but depends entirely on the price of cotton, which has been increasing due to shortage of quality cotton. However, the management is 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, having identified areas of risks in such management.

The Company earned a pretax profit of Rs.165.94 Lacs (Previous Year Rs.61.74 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 additional windmills installed in the current year also improved the earnings of the company by captive use of power at the textile unit. The company has achieved more profit in spite of tough competition prevailing in the industries.

**Human Resources/Industrial relations :** The efforts of the staff and management are on imparting continuous training to improve overall working practices. This is evident from the fact that utilization and efficacy of the work force increased during the year.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

Place: COIMBATORE  
Date : 21.06.2006

**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 of the remaining Five Directors, four 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 2006 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 SP. Sekar</b>	Independent	1	NIL	1
<b>Sri G.V.S. Desikan</b>	Independent	8	2	2
<b>Sri Kanhaiyalal Sharina</b>	Independent	NIL	NIL	NIL
<b>Sri Dulichand Pansari</b>	Independent	NIL	NIL	1
<b>Sri Mahesh Agarwal</b>	Non Executive	1	NIL	2

C) Board Meeting and Attendance :-

During the period from April 1, 2005 to March 31, 2006 Five Board Meetings were held on 11.05.2005, 22.06.2005, 29.07.2005, 31.10.2005 and 30.01.2006

Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 28<sup>th</sup> September 2005 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	5	5	P
2.	<b>Sri Manoj Kumar Jhajharia</b> Joint Managing Director	5	5	P
3.	<b>Sri G.V.S. Desikan</b>	5	5	P
4.	<b>Sri Kanhaiyalal Sharma</b>	5	NIL	DA
5.	<b>Sri Dulichand Pansari</b>	5	1	DA
6.	<b>Sri Mahesh Agarwal</b>	5	2	DA
7.	<b>Sri SP. Sekar</b>	3	3	DA

P - Present DA - Did not attend

D) Details of Directors retiring by rotation and seeking reappointment :- Furnished as part of the notice convening the 12th AGM

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 Accounts 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

Relationship of Directors, their business interest & remuneration paid :

Name of the Directors	Relationship with other Director	Business relationship with the company if any Promotor	Remuneration paid/Payable during 2005 - 2006 (Rs.)			
			Sitting fees	Salary & Perks	Commis- sion	Total
1. Shyamlal Agarwala Managing Director	Parent of Joint Managing Director	Promotor	NIL	550000	244067	794067
2. Manoj Kumar Jhajharia Joint Managing Director	Son of Managing Director	Promotor	NIL	330000	NIL	330000

**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 Shyamlal Agarwala
- ii. Sri G.V.S.Desikan
- iii. Sri Manoj Kumar Jhajharia

Sri G.V.S. Desikan is the Chairman of the Shareholders Grievance Committee.

Eleven Complaints were received from shareholders during the financial year 2005-2006 and were resolved to the satisfaction of the shareholders. No share transfer was pending as on 31.3.2006.



- vii) Listing on Stock Exchanges : Ahmedabad, Kolkata, Chennai & Coimbatore
- viii) Market price date : The Shares of Company are listed in Ahmedabad, Kolkata, Chennai and Coimbatore Stock Exchanges. (High, Low during each Month in the financial year 2005-2006 Performance in comparison to broad based Indices such as BSE Sensex, CRISIL Index etc. During 2005-2006 ) During financial year 2005-2006 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 31.03.2006, 416300 Shares constituting 7.780% 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 2005-2006 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	1034	58.46	507000	9.48
5001 to 10000	388	21.93	374200	6.99
10001 to 20000	204	11.53	326600	6.11
20001 to 30000	48	2.71	126900	2.37
30001 to 40000	20	1.13	72800	1.36
40001 to 50000	12	0.68	57500	1.07
50001 to 100000	23	1.30	187000	3.49
100001 and above	40	2.26	3699100	69.13
Total	1769	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
	<b>Sub Total</b>	<b>3096800</b>	<b>57.873</b>
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	50000	0.934
	<b>Sub Total</b>	<b>50000</b>	<b>0.934</b>
	Other		
4.	Private Corporate Bodies	418400	7.819
5.	Indian Public	1784400	33.346
6.	NRI's/OCB's	1500	0.028
	<b>Sub Total</b>	<b>2204300</b>	<b>41.193</b>
	<b>Total</b>	<b>5351100</b>	<b>100.000</b>
	Total Foreign Share Holding	1500	0.028

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 : 21.06.2006

**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 2006, 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 31.03.2006 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 : 21.06.2006

## ANNEXURE TO AUDITOR'S 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 for Textiles & 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, 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, 2006 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 Rs.48.60 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	46.59
2.	Fringe Benefit Tax	Income Tax	High Court of Madras	2.01

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

**FOR VKS AIYER AND COY**  
Chartered Accountants

(Sd)..

**V.S.SRINIVASAN**  
Partner

Membership No. F 13729

Place: COIMBATORE

Date : 21.06.2006

**BALANCE SHEET AS AT 31ST MARCH 2006**

	Sch No.	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS :-</b>			
Share Capital	1	52607292	52378722
Reserves & Surplus	2	34332304	23736618
<b>DEFERRED TAX LIABILITY</b>		26765000	21892000
<b>LOAN FUNDS :-</b>			
Secured Loans	3	225291803	138099544
Unsecured Loans	4	74581000	68903673
Total Funds		<u>413577399</u>	<u>305010557</u>
<b>APPLICATION OF FUNDS :-</b>			
<b>FIXED ASSETS :</b>			
Gross Block	5	376191199	227513911
Less: Depreciation		110824116	99737578
		<u>265367083</u>	<u>127776333</u>
Add: Capital Work-in progress		1215851	24886274
Add: Advances paid for Capital goods		2902688	38871517
Net Block		<u>269485622</u>	<u>191534124</u>
<b>INVESTMENTS :-</b>	6	287920	258000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
Inventories	7	89245958	64172739
Sundry Debtors	8	45646851	48493463
Cash & Bank Balances	9	7240818	6883648
Loans & Advances	10	29367486	14904282
Accrued Income		659043	1281871
Sub Total (a)		<u>172160156</u>	<u>135736003</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>			
i) Liabilities	11	17931753	14767094
ii) Provisions		10424546	7924363
Sub Total (b)		<u>28356299</u>	<u>22691457</u>
NET CURRENT ASSETS (a - b)		<u>143803857</u>	<u>113044546</u>
<b>MISCELLANEOUS EXPENDITURES:</b>			
Expenses Amortised (To the extent not written off)	12	0	173887
Total Funds		<u>413577399</u>	<u>305010557</u>

Subject to our report of even date attached

On behalf of the Board

For VKS AIYER AND COY  
Chartered Accountants

(Sd)..

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

**V.S.SRINIVASAN**  
Partner  
Place : COIMBATORE  
Date : 21.06.2006

(Sd)..

**MANOJ KUMAR JHAJHARIA**  
Joint Managing Director

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

2006	Sch No.	For the period ended 31.3.2006 Rs.	Previous Year ended 31.3.2005 Rs.
<b>INCOME</b>			
Sales	13	329400129	324975558
Other Income	14	4635052	3384976
<b>TOTAL</b>		<b>334035181</b>	<b>328360534</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	15	205204815	213983693
Purchase of Trading Goods-Yarn		2518980	13537783
Excise Duty Paid		0	3870776
Stores, Spares & Packing Materials Consumed		7207378	5652099
Power & Fuel	16	18143532	15439257
Repairs & Maintenance	17	5551890	4146513
Salaries, Wages & Other Benefits	18	11194072	6605818
Remuneration to Directors	19	1124067	844950
Administrative & other Expenses	20	3761985	4458299
Rent, Rates, Taxes & Insurance	21	2236522	1976877
Selling & Distribution Expenses	22	3419601	2389462
Add/Less: Change in stock of finished & semi finished goods	23	260362842 5260902	272905527 12750305
Sub-Total		265623744	285655832
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>			
Interest & Finance Charges	24	68411436 16543260	42704702 10825865
<b>PROFIT BEFORE DEPRECIATION</b>			
Depreciation		51868176 28341499	31878837 20103879
<b>PROFIT BEFORE TAX</b>			
LESS : Provision for Income Tax		23526677 1981000	11774958 925000
LESS : Prior year Income Tax paid		78445	0
LESS : Provision for Deferred Tax - Current Year		4873000	4676000
<b>NET PROFIT</b>			
LESS/ADD : Credit Balance from Last Year		16594232 23736618	6173958 22042023
<b>TOTAL</b>		<b>40330850</b>	<b>28215981</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		5260729	3928404
Tax on Dividend		737817	550959
Surplus carried over to Balance Sheet		34332304	23736618
		40330850	28215981
Earnings per Share (Basic & Diluted)	Rs.	3.10	1.15
(Refer Notes on Accounts)			

Subject to our report of even date attached

On behalf of the Board

For VKS AIYER AND COY  
Chartered Accountants

(Sd)..

(Sd)..

V.S.SRINIVASAN

Partner

Place : COIMBATORE

Date : 21.06.2006

SHYAMLAL AGARWALA  
Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA  
Joint Managing Director

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.1</b>		
<b>SHARE CAPITAL :-</b>		
<b>AUTHORISED :</b>		
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	903708	1132278
	<u>52607292</u>	<u>52378722</u>
<b>SCHEDULE No.2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Profit & Loss A/C-Surplus	34332304	23736618
	<u>34332304</u>	<u>23736618</u>
<b>SCHEDULE No.3</b>		
<b>SECURED LOANS :</b>		
i) Term Loans from Banks:		
Union Bank of India	36291468	29099783
The Catholic Syrian Bank Ltd.	33831459	43734157
State Bank of India	90367115	18498112
(Out of above, repayable within a year is Rs.326.27 Lacs) (Last year Rs.204.27 Lacs)		
ii) Cash Credit from Banks :		
Union Bank of India	14723433	10910959
The Catholic Syrian Bank Ltd.	13121635	9976862
State Bank of India	30046200	18879751
iii) Foreign Bills purchased by Banks :		
Union Bank of India (FDBP A/c)	0	5751597
Union Bank of India (UDBP A/c)	3799586	710105
The Catholic Syrian Bank Ltd., (UDBP A/c)	162000	
iv) Hire Purchase Finance	1729108	0
v) Interest accrued and due on Term Loans	1219799	538218
	<u>225291803</u>	<u>138099544</u>
<b>SCHEDULE No.4</b>		
<b>UNSECURED LOANS:</b>		
Intercompany Loans	0	3250000
Interest accrued and due	0	308849
IFST Deferral Scheme Loan	74581000	65344824
	<u>74581000</u>	<u>68903673</u>

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

**SCHEDULE No.5 FIXED ASSETS**

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	COST				DEPRECIATION				W.D.V	
	As at 01.04.2005 RS	Additions/ Transfers Rs	Deletions/ Transfers Rs	As at 31.03.2006 Rs	As at 01.04.2005 Rs	for the year Rs	Deduction Rs	As at 31.03.2006 Rs	As at 31.03.2006 Rs	As at 31.3.2005 Rs
Land	761422	65480	0	826902	0	0	0	0	826902	761422
Buildings	30586574	5930320	0	36516894	7021312	1029208	0	8050520	28466374	23565262
Plant & Machinery	137836167	129024274	21642326	245218115	79559470	18374341	17254961	80678850	164539265	58276697
Wind Electric Generator	54806530	32084520	0	86891050	11349516	8457364	0	19806880	67084170	43457014
Vehicles	1672809	2429194	0	4102003	783457	275030	0	1058487	3043516	889352
Furniture & Fittings	444613	0	0	444613	210260	19849	0	230109	214504	234353
Office Equipments	1394596	785826	0	2180422	810878	185175	0	996053	1184369	583718
Canteen Equipments	11200	0	0	11200	2685	532	0	3217	7983	8515
<b>TOTAL</b>	<b>227513911</b>	<b>170319614</b>	<b>21642326</b>	<b>376191199</b>	<b>99737578</b>	<b>28341499</b>	<b>17254961</b>	<b>110824116</b>	<b>265367083</b>	<b>127776333</b>
Capital Work in progress - Machinery	24886274	1215851	24886274	1215851					1215851	24886274
	252400185	171535465	46528600	377407050	99737578	28341499	17254961	110824116	266582934	152662607
Previous Year Total	213484832	51104504	12189151	252400185	89250692	20103879	9616993	99737578	152662607	124234143



**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.6</b>		
<b>INVESTMENTS</b>		
<b>In Equity Shares (Quoted) :</b>		
3772 Equity shares of Rs. 10/ each in Union Bank of India (Market Value Rs. 459618)	85920	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
	287920	258000
<b>SCHEDULE No.7</b>		
<b>INVENTORIES</b>		
Stock of Finished goods-Yarn	2649643	8044967
Stock in Process	2898440	3365491
Stock of Waste-Cotton	230140	216603
Stock of Stores, Spares & Packing Materials	3398136	2424822
Stock of Raw Materials	80069599	50120856
	89245958	64172739
<b>SCHEDULE No.8</b>		
<b>SUNDRY DEBTORS (Unsecured )</b>		
<b>(i) Considered Good</b>		
Debts Exceeding Six months	1592001	2026217
Other Debts	44054850	46467246
	45646851	48493463
<b>(ii) Considered Doubtful</b>		
Less : Provision for Doubtful debts	1520000	1520000
	1520000	1520000
	0	0
<b>SCHEDULE No.9</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on hand	234635	235317
Cash with Scheduled Banks - in Current A/Cs	789821	487968
- in Deposit A/Cs	6216362	6160363
	7240818	6883648

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## SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered good, Recoverable in Cash or in kind)		
Advances for Purchases / Expenses	4854850	5750702
Advance to Staff and other operatives	181671	132825
Deposits with Govt. & Other Authorities	5368519	3385882
Excise Duty/Modvat Advances	14053847	1702162
Prepaid Expenses	328598	300815
Advance Income Tax/TDS	4465191	3517086
Advances to others	114810	114810
	29367486	14904282
<b>SCHEDULE No.11</b>		
<b>A) CURRENT LIABILITIES</b>		
Liability for Purchases	10165983	10117950
Liability for Expenses	7406152	4380692
Unclaimed Dividends	359618	268452
	17931753	14767094
<b>B) PROVISIONS</b>		
Provision for Income Tax	4426000	3445000
Provision for Proposed Dividend	5260729	3928404
Provision for Tax on Dividend	737817	550959
	10424546	7924363
<b>SCHEDULE No.12</b>		
<b>MISCELLANEOUS EXPENDITURES :</b>		
Preliminary & Pre Operative Expenses	32485	64970
Less:1/10th written off	32485	32485
	0	32485
Shares Issue Expenses	141402	282805
Less:1/10th written off	141402	141403
	0	141402
Total	0	173887

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

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.13</b>		
<b>SALES</b>		
Yarn Sales :		
Domestic Sales(Incl. Excise Duty)	296673071	293437414
Direct Export Sales	814425	0
Merchant Export Sales	13909644	0
Trading Export Sales	0	12767901
	<u>311397140</u>	<u>306205315</u>
Cotton Waste Sales	18002989	18225226
Export Incentive Sales	0	545017
	<u>329400129</u>	<u>324975558</u>
<b>SCHEDULE No.14</b>		
<b>OTHER INCOME</b>		
Interest on Bank Deposits and others	635073	1052716
Income from Investment - Dividend	5250	12250
Profit on Sale of Assets	3841635	2043865
Sundry Credits written back	0	168447
Export Sales Exchange rate difference	13971	0
Miscellaneous Sales	139123	107698
	<u>4635052</u>	<u>3384976</u>
<b>SCHEDULE No.15</b>		
<b>RAW MATERIAL CONSUMED :</b>		
Opening Stock-Cotton	50120856	82689254
-Cotton in Process	1861680	5264717
Add: Cost of Cotton purchased	<u>234565622</u>	<u>178012258</u>
	286548158	265966229
Less: Closing Stock-Cotton	80069599	50120856
-Cotton in Process	1273744	1861680
	<u>205204815</u>	<u>213983693</u>
<b>SCHEDULE No.16</b>		
<b>POWER &amp; FUEL</b>		
Power - Electricity	33057833	27213929
Less : Transfer from own WEG for Captive Use	<u>16225274</u>	<u>12325706</u>
	16832559	14888223
Generator Fuel	1310973	551034
	<u>18143532</u>	<u>15439257</u>

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## SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2006

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.17</b>		
<b>REPAIRS &amp; MAINTENANCE</b>		
Machinery Maintenance	3183285	2327990
Electrical Maintenance	128832	84231
Generator Maintenance	67321	18095
Building Maintenance	977202	833339
Wind Mill Maintenance	32500	0
Vehicle Maintenance	777649	504492
Office Equipment Maintenance	134960	166594
General Maintenance	250141	211772
	<u>5551890</u>	<u>4146513</u>
<b>SCHEDULE No.18</b>		
<b>SALARIES, WAGES AND OTHER BENEFITS</b>		
Salaries & Wages	7755329	3602859
Stipend to Trainees	1075601	944972
PF Contribution	226709	211783
Employee Gratuity	123565	54780
Other Benefits	2012868	1791424
	<u>11194072</u>	<u>6605818</u>
<b>SCHEDULE No.19</b>		
<b>REMUNERATION TO DIRECTORS</b>		
Remuneration to Managing Director	550000	450000
Remuneration to Joint Managing Director	330000	270000
Commission to Managing Director	244067	124950
	<u>1124067</u>	<u>844950</u>
<b>SCHEDULE No.20</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Directors Sitting Fees	22000	9000
Printing and stationery	213654	156221
Postage, Telephone and Telegram	482005	479255
Professional charges & Legal Fees	220164	213495
Travelling & conveyance expenses	641434	885552
Advertisement Expenses	66262	69872
Bad Debts Written off	31904	636214
Preliminary & Pre Operative Expenses Written Off	32485	32485
Share Issue Expenses written off	141402	141403
Other Expenses	1910675	1834802
	<u>3761985</u>	<u>4458299</u>

**SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2006**

	Current Year As at 31.3.2006 Rs.	Previous Year As at 31.3.2005 Rs.
<b>SCHEDULE No.21</b>		
<b>RENT, TAXES &amp; INSURANCE</b>		
Insurance	1870272	1613187
Rent	144000	146500
Rates & Taxes	222250	217190
	<u>2236522</u>	<u>1976877</u>
<b>SCHEDULE No.22</b>		
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Commission, Brokerage & Rebates	2930818	1624072
Expenses on Export Sales	54492	522276
Freight on Yarn sales	434291	243114
	<u>3419601</u>	<u>2389462</u>
<b>SCHEDULE No.23</b>		
<b>CHANGE IN STOCK OF FINISHED GOODS &amp; SEMI FINISHED GOODS</b>		
Opening Stock:		
Finished Goods - Yarn	8044967	22239775
Stock in Process	1503811	121017
Stock of Waste Cotton	216603	154894
A	<u>9765381</u>	<u>22515686</u>
Closing Stock:		
Finished Goods -Yarn	2649643	8044967
Stock in Process	1624696	1503811
Stock of Waste Cotton	230140	216603
B	<u>4504479</u>	<u>9765381</u>
A-B	<u>5260902</u>	<u>12750305</u>
<b>SCHEDULE No.24</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest on Fixed Loans	11554761	5952879
Interest on Working Capital Credits	3497572	3127748
Interest on Unsecured Loans	155000	390000
Bank Charges	1272674	1140243
Hire Purchase Finance Charges	49753	0
Bill discounting charges	13500	214995
	<u>16543260</u>	<u>10825865</u>

SCHEDULE NO.25

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2006

**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 DEP 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.

**(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; provision for fall in value (other than temporary is considered).

**(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:-

- 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 are 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.

**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. 60.09 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.260.89 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.20.50 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.365.69 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.635.29 Lacs) from State Bank of India is secured by hypothecation of the machinery purchased under the project.
  - (vi) Machinery loan of Rs. 432.00 Lacs (Amount outstanding Rs. 274.63 Lacs) from State Bank of India is secured by hypothecation of the machinery purchased under the project.
  - (vii) Cash Credit and other working capital loans aggregating to Rs.713.00 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.
  - (viii) 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.18,57,101/- (Rs.17,84,038) 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.8,69,490/- (Rs.6,91,016/-) 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 115B 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 2003-2004; 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 31.3.2006 (Rs. in Lacs)	Year Ended 31.3.2005 (Rs. in Lacs)
<u>Deferred Tax Liability :</u>		
Tax on Depreciation difference	430.04	283.28
<u>Deferred Tax Asset :</u>		
Tax on Unabsorbed Depreciation & Others	142.14	57.49
Deferred Tax Liability	287.90	225.79
Less : Tax credit u/s. 115JAA	<u>20.25</u>	<u>6.87</u>
Net Deferred Tax Liability	<u>267.65</u>	<u>218.92</u>
Increase in Deferred Tax Liability	<u>48.73</u>	

5. In terms of AS 2 of ICAI closing stock of finished goods of current and previous year are 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.
6. As per clarification announcement dated 2nd April 2005 issued by the Institute of Chartered Accountants of India (ICAI) on revenue recognition, Wind Electricity for a value of Rs. 162.25 Lacs (Previous year 123.26 Lacs) transferred to textile mill for captive consumption is not recognized as a turnover/revenue and also not considered as Power Cost; accordingly previous year figure has been restated for purpose of comparison.
7. No. provision towards Fringe Benefit Tax of Rs. 2.01 Lacs incurred during the year has been made in view of the Interim stay obtained by the Company from the High Court of Madras in Writ Petition filed through Industry Association; provision if any required will be made on disposal of the Writ petition.
8. 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.46.59Lacs (Rs. 33.74 Lacs)
  - (iv) For Customs duty concession availed against export obligation undertaken for actual import of capital goods at Concessional rate of customs duty and for excise duty refund availed against deemed import of capital goods for domestic purchase. Aggregate amount of duties involved against export obligation to be fulfilled Rs.3169.68 Lacs (Rs.1305.83 Lacs); value of export obligation to be fulfilled Rs.2914.36 Lacs (Rs.1205.46 Lacs)
9. Estimated amount of Contracts on Capital account, not provided for Rs.235.97 Lacs (Rs. 740.93 Lacs)
10. (i) Managerial Remuneration : (in Rupees)

Remuneration	Fixed Salary	Perquisites	Commission	Total
Managing Director	3,00,000 (3,00,000)	2,50,000 (1,50,000)	2,44,067 (1,24,950)	7,94,067 (5,74,950)
Joint Managing Director	1,80,000 (1,80,000)	1,50,000 (90,000)	NIL (NIL)	3,30,000 (2,70,000)
TOTAL	4,80,000	4,00,000	2,44,067	11,24,067



ii) Calculation of commission to Managing Director

	Rs.
Net Profit as per Profit & Loss Account	16594232
Add : Depreciation charged to account	28341499
Provision for Taxation	1981000
Prior Year Income Tax Paid	78445
Provision for Deferred Tax	4873000
Director's Remuneration	1124067
	36398021
	52992253
Less : Depreciation under section 350	28341499
	24650754
Commission 1% on Net profit payable to the Managing Director	244067

11. Remuneration to Auditors :

- a. Out of other Administration expenses (Schedule 21): - Rs.42,090/- (Rs.35,815) for Audit fee, Rs.8,418/- (Rs.8,265/-) for Tax Audit , Rs.8,418/- for Taxation services (Rs. 4,408/-).
- b. Out of Professional charges & Legal fees: - Towards Certificates issued Rs.13,063/- (Rs.9,273/-) and for Financial/Company Law advisory services Rs.11,224/- (Nil/-)

12. 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

Sl. No.	Name of the Related Enterprise	Nature of transaction	Amount Rs.	Amount Outstanding as on 31.3.06	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	NIL (11650440)	NIL	NIL
02.	M/s. Preeti Enterprises (Smt. Pista Devi Jhajharia W/o. Shyamal Agarwala-Proprietrix)	Sale of Finished goods	224408 (318203)	NIL	NIL
03.	M/s. Mayur Tex (Shri. Pramod Kumar Jhajharia)	Sale of Finished goods	NIL (5,00)	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. 12(i).

### 13. Quantitative and other particulars:-

#### i) Details of Capacity

- a) Licenced capacity  
b) Installed capacity(Spindles)

Current year

Previous year

NA

NA

15120

11088

#### ii) Details of Production

- a) Cotton Yarn  
b) Fabrics  
c) Waste  
d) Wind Electricity

Kgs.

2947594

2597208

Kgs.

57242

Nil

Kgs.

913446

831192

Units.

4651712

3808149

#### iii) Details of Turnover

- a) Cotton Yarn - Own Manufacture  
b) Knitted Fabrics - Own Manufacture  
c) Cotton Yarn & Fabrics - Trading  
d) Waste

Kgs.

2904581

2688782

Rs.

302350788

287713797

Kgs.

57242

0

Rs.

6513192

0

Kgs.

29263

101181

Rs.

2533160

12767901

Kgs.

912506

828370

Rs.

18002989

18225226

#### iv) Details of Purchases

Cotton Yarn for Trade

Kgs.

30504

101181

Rs.

2518980

13537783

#### v) Details of Raw material Consumption : Cotton

Indigenous

Kgs.

3916529

3144606

Rs.

204616879

195369303

Imported

Kgs.

0

301307

Rs.

0

15211353

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

- a) Opening 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
b) Closing Stock			
Finished goods:-			
Cotton Yarn	Kgs.	22097	82115
	Rs.	2535985	8044967
Trading Yarn	Kgs.	1241	Nil
	Rs.	113658	Nil
Saleable Waste	Kgs.	19145	18205
	Rs.	230140	216603
Process stock	Rs.	2898440	1503811
Raw Materials	Kgs.	1429199	1008483
	Rs.	80069599	50120856
vii) Consumption of Spares & Components :-			
(indigenous)	Rs.	7000462	5652099
(imported)	Rs.	206916	Nil
viii) Expenditure in Foreign Currency :			
Import of Machinery (C.I.F. Value)	Rs.	18822753	10334836
Interest on Foreign Currency Loan	Rs.	0	1044032
ix) Earnings in Foreign Exchange :			
FOB Value of Exports	Rs.	814425	12365997
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)		31.03.2006	31.03.2005
i) Profits after tax as Profit & Loss account	Rs.	16594232	6173958
ii) No. of Equity Shares	Nos.	535100	535100
iii) Nominal value per share	Rs.	10	10
iv) Earnings per share		3.10	1.15

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 : 21.06.2006

# 12th Annual Report

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

	(Rs.inLacs) 31.3.2006	(Rs.in Lacs) 31.3.2005
<b>A. Cash flow from Operating Activities:-</b>		
Profit before tax	235.27	117.75
Adjustments for:-		
Depreciation	283.42	201.04
Preliminary expenses written off	1.74	1.74
Interest paid	165.43	108.26
Interest receipts	(-) 6.35	(-) 10.53
<b>Operating Profits before Working Capital Changes</b>	<b>679.51</b>	<b>418.26</b>
Adjustments for:-		
Inventories	250.73	(-) 480.52
Debtors	(-) 28.47	(-) 220.50
Loans, advances & Interest	(-) 138.40	(-) 76.53
Misc. Expenditure	0.00	0.00
Liabilities	(-) 23.94	(-) 62.30
<b>Total A</b>	<b>294.91</b>	<b>(-) 539.45</b>
<b>B. Cash flow from Investment Activities:-</b>		
Purchase of Fixed Assets	(-) 1062.94	(-) 857.74
Increase in Investments	(-) 0.30	0.00
<b>Total B</b>	<b>(-) 1063.24</b>	<b>(-) 857.74</b>
<b>C. Cash flow from Financial Activities:-</b>		
Increase in Share Capital	2.29	2.05
Increase in Borrowings:-	937.10	503.95
Secured Loans	(-) 224.26	(-) 324.82
Unsecured Loans	56.77	124.00
<b>Total C</b>	<b>771.90</b>	<b>305.18</b>
<b>Net increase in Cash &amp; Cash equivalents A+B+C</b>	<b>3.57</b>	<b>(-) 13.11</b>
Opening balance Cash & Cash equivalents	68.84	81.95
Closing balance Cash & Cash equivalents	72.41	68.84
<b>Net Increase/(Decrease) in Cash equivalents</b>	<b>(-) 3.57</b>	<b>13.11</b>

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)..

(Sd)..

Place: COIMBATORE  
Date : 21.06.2006

**SHYAMLAL AGARWALA**  
Managing Director

**MANOJ KUMAR JHAJHARIA**  
Joint Managing Director

**NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2006**

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

**I. REGISTRATION DETAILS :-**

Registration No.	:	181-4797
State Code	:	18
Balance Sheet date	:	31.03.2006

**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	:	413577
Total Assets	:	413577

**Sources of Funds (Rs.)**

Paid-up Capital	:	52607
Share Application Money	:	0
Reserves & Surplus	:	34332
Deferred Tax Liability	:	26765
Secured loans	:	225292
Unsecured Loans	:	74581

**Application of Funds (Rs.)**

Fixed Assets	:	269485
Investments	:	288
Net Current Assets	:	143804
Miscellaneous Expenditure	:	0

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

Turnover	:	334035
Total expenditure	:	310508
Profit Before Tax	:	23527
Profit After Tax	:	165.94
Earning per share in Rs.	:	3.10
Dividend rate	:	10.00%

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)..

**SHYAMLAL AGARWALA**  
Managing Director

(Sd)..

**MANOJ KUMAR JHAJHARIA**  
Joint Managing Director

Place: COIMBATORE  
Date : 21.06.2006



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 Twelfth 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 27th day of September, 2006 at 10.30 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 Twelfth Annual General Meeting of the Company to be held on Wednesday the 27th day of September, 2006 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.....2006

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.

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