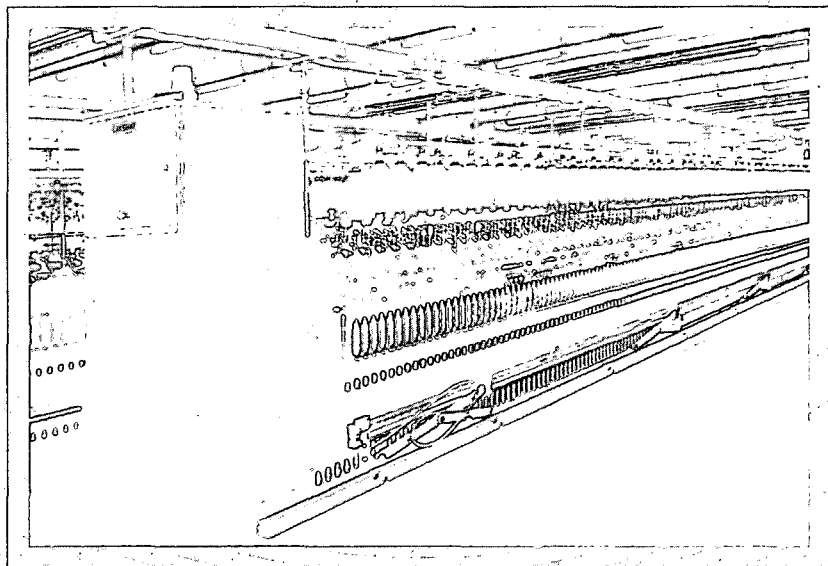


Salona
Cotspin
LIMITED



13TH Annual Report
2006 - 2007

THIRTEENTH ANNUAL REPORT
2006 - 2007

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.

CONTENTS

Notice to the Shareholders

Directors' Report

Corporate Governance

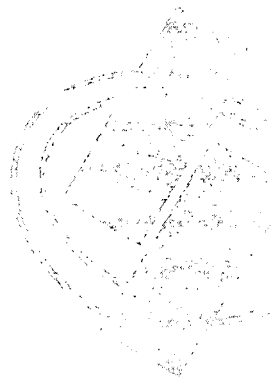
Auditors' Report

Balance Sheet

Schedules to the Accounts

Notes on Accounts

Cash Flow Statement



NOTICE

Notice is hereby given that the THIRTEENTH Annual General Meeting of the Shareholders of the Company will be held on Saturday, the 22nd September 2007 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 31.3.2007 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. Mahesh Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
4. To elect a Director in the place of Sri. SP. Sekar, 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.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE

Date : 13.06.2007

NOTE:

1. Any member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. The Proxy form duly stamped and executed should be deposited at the Registered Office 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 20.09.2007 to 22.09.2007 (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.

The Equity Shares of the Company are permitted for trading in BSE Indonext Segment - under Group "S" of The Bombay Stock Exchange Limited, Phiroze Jeejee Bhoj Towers, Dalal Street, Mumbai - 400 001.

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

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

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

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

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

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	: Shri. Mahesh Agarwal	Shri. SP. Sekar
Age	: 47 Years	49 Years
Date of Appointment	: 23.02.1995	22.06.2005
Qualifications	: B.Com	M.Tech (Textile Technology)
Expertise in Specific Functional area	: More than 25 years of experience in Textile Field	More than 25 years of experience in Textile Mills
Other Directorships	: 2	1
Member of Committee	: 1	1

DIRECTORS REPORT

Your Directors have great pleasure in presenting their THIRTEENTH Annual Report together with the audited financial statements of the Company for the year ended 31st March 2007.

Working Results

Rs. in Lacs

Gross Sales and Other receipts :

Domestic Sales - Yarn & Waste Cotton		3106.50
- Fabrics		656.12
Export Sales		293.72
Other Income		70.95
Total		4127.29
Gross profit before interest, depreciation and tax		924.01
Less : Interest		154.73
Profit after interest, but before depreciation and tax		769.28
Less : Provision for depreciation		360.81
Less : Adjustment relating to Prior Year		2.45
Profit before tax		406.02
Less : Provision for income-tax - Current Tax	46.44	
- Current Year FBT	0.90	
- Deferred Tax	<u>89.35</u>	136.69
Net profit after tax		269.33
Less : Prior Year Dividend & Tax on Dividend		0.31
Add : Surplus brought forward from previous year		343.32
Total profit available for appropriation		612.34

APPROPRIATION

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

Provision for Dividend on Equity Shares	53.03
Provision for Tax on Corporate Dividend	9.02
Surplus Carried over	550.29

13th Annual Report

DIVIDEND

Your Directors are pleased to recommend a dividend of 10% for the year ended March 2007 as against 10% paid in last year; the total outgo in the form of dividend including corporate dividend tax will be to the extent of Rs. 62.05 Lacs.

REVIEW OF OPERATIONS

Your Directors are glad to inform you that the spinning capacity of the unit is increased from 15120 Spindles to 15696 Spindles during the year. With increase in capacity of spinning and better utilization the mill has produced higher quantity of cotton yarn viz., 35.95 Lacs Kgs. as against 29.48 Lacs Kgs. in last year. The production of Knitted fabrics increased to 5.99 Lacs Kgs as against 0.57 Lacs Kgs. in last year. On account of production of Knitted fabrics the sale of cotton yarn decreased to 28.73 Lacs Kgs. as against 29.05 Lacs Kgs. in last year. The gross sales turnover amounted to Rs. 4056.74 Lacs as against Rs. 3294.00 Lacs in the previous year. 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 wind mills generated 51.30 Lacs units of wind electricity as against 46.36 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. 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.4.30 Lacs. The paid up Share Capital of the company stood at Rs. 530.37 Lacs. Efforts are being taken to realise the balance of calls in arrears of Rs.4.74 Lacs. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.550.28 Lacs, after providing for deferred tax, for an amount of Rs.89.35 Lacs. The liability for interest free sales tax deferred credit stood at Rs.711.32 Lacs. (Rs.745.81 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 Mahesh Agarwal and Shri SP. Sekar the Directors longest in Office, will be retiring by rotation at the ensuing Annual General Meeting. Being eligible, they offers themselves for 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 2007 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 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 : 13.06.2007

13th Annual Report

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 2006-2007	Previous Year 2005-2006
A. CONSERVATION OF ENERGY:-		
I. Power & Fuel Consumption:-		
1. Electricity		
a) Purchased		
Units	4414945	3404848
Total amount (Rs.)	21640931	16832559
Rate per Unit (Rs.)	4.90	4.94
b) Own generation through Diesel Generators:-		
Units (KWH)	253511	166120
Consumed (Litres)	66355	43995
Total amount (Rs.)	2298852	1310973
Units per litre of diesel (KWH)	3.82	3.78
Cost per unit (Rs.)	9.07	7.89
2. Coal	—	—
3. Furnace Oil	—	—
4. Others/Internal generation		
Wind Electricity through own WEG's (Unit)	5129552	4635792
Total Amount (Rs.)	17953431	16225274
II. Consumption per unit of Production:-		
Production in Kgs	3595372	2947594
Electricity Units	9798008	8206760
Unit/Kg of Yarn	2.73	2.78

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)	62.01	8.14
ii) Remittances in Foreign exchange :-		
Machinery & Spares and Interest on FCL (Rs. in Lacs)	130.82	190.30

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE

Date : 13.06.2007

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 sophisticated machineries so that the goods 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 3595 Tons & Fabrics 599 Tons. (Last year Yarn 2948 Tons. Fabrics - 57 Tons)

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.269.32 Lacs (Previous Year Rs.165.94 Lacs) after providing for current Income Tax, Fringe Benefit tax and Deferred tax. The financial performance of the company are explained in detail in the Director's report to Shareholders.

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 efficiency of the work force increased during the year.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE
Date : 13.06.2007

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 31st March 2007 are as tabled below: -

Name of the Directors	Executive/ Non-Executive/ Independent	No. of Other Directorship held	No. of Committee Positions	
			As Chairman	As Member
Sri Shyamlal Agarwala Managing Director	Executive	1	1	1
Sri Manoj Kumar Jhajharia Joint Managing Director	Executive	1	NIL	2
Sri SP. Sekar	Independent	1	NIL	1
Sri G.V.S. Desikan	Independent	6	3	0
Sri Kanhaiyalal Sharma	Independent	NIL	NIL	NIL
Sri Dulichand Pansari	Independent	NIL	NIL	1
Sri Mahesh Agarwal	Non Executive	2	NIL	2

C) Board Meeting and Attendance :-

During the period from April 1, 2006 to March 31, 2007 Five Board Meetings were held on 29.05.2006, 21.06.2006, 28.07.2006, 31.10.2006 and 29.01.2007

Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 27th September 2006 are as tabled below :-

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

P - Present DA - Did not attend

D) Details of Directors retiring by rotation and seeking reappointment :- Furnished as part of the notice convening the 13th 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	Remuneration paid/Payable during 2006 - 2007 (Rs.)			
			Sitting fees	Salary & Perks	Commis- sion	Total
1. Shyamlal Agarwala Managing Director	Parent of Joint Managing Director	Promotor	NIL	525000	415770	940770
2. Manoj Kumar Jhajharia Joint Managing Director	Son of Managing Director	Promotor	NIL	450000	NIL	450000

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.

Eight Complaints were received from shareholders during the financial year 2006-2007 and were resolved to the satisfaction of the shareholders. No share transfer was pending as on 31.3.2007.

13th Annual Report

6. GENERAL BODY MEETING :-

A) Location and time, where last three AGMs held :-

AGM Number	Date and Time	Venue
TWELFTH	27.09.2006/ 10.30 AM	S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post) Sathy Taluk, Erode District, Tamilnadu.
ELEVENTH	28.09.2005/ 10.00 AM	-do-
TENTH	16.09.2004 / 10.00 AM	-do-

B) Postal Ballot :-

No proceeding has been so far conducted under the postal ballot system.

7. DISCLOSURES :-

Related party transactions are disclosed as part of the Notes on Accounts; There are no materially significant related party transactions that would have been a potential conflict with the interest of the Company at large. Also no penalty or strictures were imposed on the Company by any Regulatory Authority for non-compliance of any law or regulation.

8. MEANS OF COMMUNICATIONS :-

The Quarterly, Half Yearly and Annual Financial Results of the Company were published in Newspapers, both in English and in Vernacular Language (Tamil). The Company provides information to its shareholders mainly through Annual Reports comprising of Directors Report, Audited Accounts, Cash flow statements etc.

9. GENERAL SHAREHOLDER INFORMATION :-

- i) Annual General Meeting : Date : 22.09.2007
 Time : 10.30 am
 Venue : Regd. Office : Mill Premises,
 S.F.No.74/12 & 75/3, Sathy Main Road,
 Pungampalli, Valipalayam (Post)
 Sathy Taluk, Erode District.
- ii) Name & other details regarding Sri Manoj Kumar Jhajharia
 Compliance Officer : Joint Managing Director
- iii) Financial Year : 31.03.2007
- iv) Dividend Payment Date : On or before 21.10.2007
- v) Date of Book Closure : 20.09.2007 to 22.09.2007 (Both days inclusive)
- vi) Results for the quarter : June 2007 (By 31st July 2007), September 2007 (By 31st
 October 2007), December 2007 (By 31st January 2008) &
 March 2008 (By 30th June 2008)

vii) Listing on Stock Exchanges : Listed in Ahmedabad, Kolkata, Chennai, Coimbatore and Mumbai Stock Exchanges.

Permitted for trading in BSE Indonext segment of Bombay Stock Exchange Ltd. w.e.f. 05.07.2006

viii) Market price date :

Month	Highest	Lowest	Volume
July 2006	60.35	17.65	97469
August 2006	22.25	17.75	29444
September 2006	20.00	16.10	47710
October 2006	20.80	16.00	49976
November 2006	20.90	17.00	44913
December 2006	20.90	17.50	31597
January 2007	25.30	17.50	131707
February 2007	28.00	19.45	101384
March 2007	24.35	17.60	18567

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 31.03.2007, 818200 Shares constituting 15.290% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

xii) Distribution of Shareholding :

Range	No. of Shareholders	% of Holders	No. of Shares	% held
Up to 5000	1101	62.88	4844000	9.05
5001 to 10000	354	20.22	3371340	6.30
10001 to 20000	167	9.54	2707720	5.06
20001 to 30000	31	1.77	826750	1.55
30001 to 40000	22	1.26	791990	1.48
40001 to 50000	9	0.51	430760	0.80
50001 to 100000	19	1.09	1511850	2.83
100001 and above	48	2.74	39026590	72.93
Total	1751	100.00	53511000	100.00

13th Annual Report

xiii) 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	2474205	46.237
	Sub Total	3082600	57.607
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	45345	0.847
	Sub Total	45345	0.847
	Other		
4.	Private Corporate Bodies	438957	8.203
5.	Indian Public	1775173	33.174
6.	NRI's/OCB's	9025	0.169
	Sub Total	2223155	41.546
	Total	5351100	100.000

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

xv) 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 : 13.06.2007

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement)

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

We have examined the compliance of Corporate Governance by **SALONA COTSPIN LIMITED**, for the year ended on 31st March 2007, 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 31.03.2007 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 : 13.06.2007

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 2007 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:
 - a) 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;
 - b) In our opinion, proper books of accounts, as required by Law, have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on 31st March 2007, from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required, present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - (ii) In so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date;

FOR VKS AIYER AND COY
Chartered Accountants

(Sd)..

Place: COIMBATORE

Date : 13.06.2007

V.S.SRINIVASAN

Partner

Membership No. F 13729

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 needed 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, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the date of becoming payable.

13th Annual Report

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 preceeding 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 : 13.06.2007

BALANCE SHEET AS AT 31ST MARCH 2007

	Sch No.	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:-			
Share Capital	1	53037044	52607292
Reserves & Surplus	2	55028428	34332304
DEFERRED TAX LIABILITY		35700000	26765000
LOAN FUNDS :-			
Secured Loans	3	259940536	225291803
Unsecured Loans	4	71131528	74581000
Total Funds		<u>474837536</u>	<u>413577399</u>
APPLICATION OF FUNDS :-			
FIXED ASSETS :			
Gross Block	5	394633138	376191199
Less: Depreciation		137048985	110824116
		<u>257584153</u>	<u>265367083</u>
Add: Capital Work-in progress		11084316	1215851
Add: Advances paid for Capital goods		14421119	2902688
Net Block		<u>283089588</u>	<u>269485622</u>
INVESTMENTS :-	6	287920	287920
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	7	101639745	89245958
Sundry Debtors	8	63151489	45646851
Cash & Bank Balances	9	21636595	7240818
Loans & Advances	10	28141725	29367486
Accrued Income		6114658	659043
Sub Total (a)		<u>220684212</u>	<u>172160156</u>
CURRENT LIABILITIES & PROVISIONS:			
i) Liabilities	11	13858350	17931753
ii) Provisions		15365834	10424546
Sub Total (b)		<u>29224184</u>	<u>28356299</u>
NET CURRENT ASSETS (a - b)		<u>191460028</u>	<u>143803857</u>
Total Funds		<u>474837536</u>	<u>413577399</u>

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
Place : COIMBATORE
Date : 13.06.2007

(Sd)..
SHYAMLAL AGARWALA
Managing Director

(Sd)..
MANOJ KUMAR JHAJHARIA
Joint Managing Director

13th Annual Report

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	Sch No.	For the period ended 31.3.2007 Rs.	Previous Year ended 31.3.2006 Rs.
INCOME			
Sales	13	405633292	329400129
Other Income	14	7095502	4635052
TOTAL		<u>412728794</u>	<u>334035181</u>
EXPENDITURE			
Raw Materials Consumed	15	268807498	205204815
Purchase of Trading Goods-Yarn		0	2518980
Stores, Spares & Packing Materials Consumed		11422970	7207378
Power & Fuel	16	23939783	18143532
Repairs & Maintenance	17	7029011	5551890
Salaries, Wages & Other Benefits	18	10372934	11194072
Remuneration to Directors	19	1390770	1124067
Administrative & other Expenses	20	5139043	3761985
Rent, Rates, Taxes & Insurance	21	3019032	2236522
Selling & Distribution Expenses	22	2612118	3419601
		<u>333733159</u>	<u>260362842</u>
Add/Less: Change in stock of finished & semi finished goods	23	-13405652	5260902
Sub-Total		<u>320327507</u>	<u>265623744</u>
PROFIT BEFORE INTEREST & DEPRECIATION			
Interest & Finance Charges	24	92401287	68411436
		<u>15472865</u>	<u>16543260</u>
PROFIT BEFORE DEPRECIATION			
Depreciation		76928422	51868176
		<u>36081253</u>	<u>28341499</u>
		40847169	23526677
LESS : Adjustment relating to Prior year		<u>245175</u>	<u>0</u>
PROFIT BEFORE TAX			
		40601994	23526677
LESS : Provision for Income Tax		4644000	1981000
LESS : Provision for FBT		90500	0
LESS : Prior year Income Tax paid		0	78445
LESS : Provision for Deferred Tax - Current Year		8935000	4873000
NET PROFIT			
		<u>26932494</u>	<u>16594232</u>
LESS : Provision shortfall for Dividend with tax		31036	0
LESS/ADD : Credit Balance from Last Year		<u>34332304</u>	<u>23736618</u>
TOTAL		<u>61233762</u>	<u>40330850</u>
APPROPRIATIONS			
Proposed Dividend on Equity Shares		5303704	5260729
Tax on Dividend		901630	737817
Surplus carried over to Balance Sheet		<u>55028428</u>	<u>34332304</u>
		<u>61233762</u>	<u>40330850</u>
Earnings per Share (Basic & Diluted) Rs.		5.03	3.10
(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)..

V.S.SRINIVASAN

Partner

Place : COIMBATORE

Date : 13.06.2007

(Sd)..

SHYAMLAL AGARWALA

Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA

Joint Managing Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.1		
SHARE CAPITAL :-		
AUTHORISED :		
6000000 Equity Shares of Rs 10/- each.	<u>60000000</u>	<u>60000000</u>
ISSUED, SUBSCRIBED & PAID UP :		
5351100 (5351100) Equity Shares of Rs 10/- each.	53511000	53511000
Less : Calls in Arrears	473956	903708
	<u>53037044</u>	<u>52607292</u>
SCHEDULE No.2		
RESERVES & SURPLUS		
Profit & Loss a/c - Surplus	<u>55028428</u>	<u>34332304</u>
	<u>55028428</u>	<u>34332304</u>
SCHEDULE No.3		
SECURED LOANS :		
i) Term Loans from Banks:		
Union Bank of India	46155638	36291468
The Catholic Syrian Bank Ltd.	21999821	33831459
State Bank of India	87710000	90367115
(Out of above, repayable within one year is Rs.404.41 Lacs)		
(Last year Rs.326.27 Lacs)		
ii) Cash Credit from Banks :		
Union Bank of India	18963578	14723433
Union Bank of India Packing Credit	3000000	0
Union Bank of India FCL Loan	17500000	0
The Catholic Syrian Bank Ltd.	8934500	13121635
State Bank of India	45847072	30046200
iii) Foreign Bills purchased by Banks :		
Union Bank of India (UDBP A/c)	6343454	3799586
The Catholic Syrian Bank Ltd., (UDBP A/c)	0	162000
iv) Hire Purchase Finance		
	2037780	1729108
v) Interest accrued and due on Term Loans		
	1448693	1219799
	<u>259940536</u>	<u>225291803</u>
SCHEDULE No.4		
UNSECURED LOANS:		
IFST Deferral Scheme Loan	<u>71131528</u>	<u>74581000</u>
	<u>71131528</u>	<u>74581000</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2007

SCHEDULE No.5 FIXED ASSETS

	COST				DEPRECIATION				W.D.V	
	As at 01.04.2006 RS	Additions/ Transfers Rs	Deletions/ Transfers Rs	As at 31.03.2007 Rs	As at 01.04.2006 Rs	Additions Rs	Deduction Rs	As at 31.03.2007 Rs	As at 31.03.2007 Rs	As at 31.3.2006 Rs
Land	826902	0	0	826902	0	0	0	0	826902	826902
Buildings	36516894	0	0	36516894	8050520	1119407	0	9169927	27346967	28466374
Plant & Machinery	245218115	23139013	6474349	261882779	80678850	25227621	9602017*	96304454	165578325	164539265
Wind Electric Generator	86891050	0	0	86891050	19806880	8984535	0	28791415	58099635	67084170
Vehicles	4102003	1443269	473388	5071884	1058487	390146	254367	1194266	3877618	3043516
Furniture & Fittings	444613	385245	0	829858	230109	47032	0	277141	552717	214504
Office Equipments	2180422	280273	0	2460695	996053	309081	0	1305134	1155561	1184369
Canteen Equipments	11200	141876	0	153076	3217	3431	0	6648	146428	7983
TOTAL	376191199	25389676	6947737	394633138	110824116	36081253	9856384	137048985	257584153	265367083
Capital Work in progress - Machinery	1215851	11084316	1215851	11084316					11084316	1215851
TOTAL	377407050	36473992	8163588	405717454	110824116	36081253	9856384	137048985	268668469	266582934
Previous Year Total	252400185	171535465	46528600	377407050	99737578	28341499	17254961	110824116	266582934	152662607

* Includes excess provision of Rs. 3671659/= for prior year withdrawn

13th Annual Report

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.6		
INVESTMENTS		
In Equity Shares (Quoted) :		
3772 Equity shares of Rs. 10/ each in Union Bank of India (Market Value Rs. 392288)	85920	85920
In Equity Shares (Unquoted) :		
20000 Equity shares of Rs 10/each in Sarvamangalam Synthetics Ltd.	200000	200000
In Government Securities (Unquoted) :		
National Savings Certificate (Pledged with Government of India)	2000	2000
	<u>287920</u>	<u>287920</u>
SCHEDULE No.7		
INVENTORIES		
Stock of Finished goods-Yarn & Fabrics	15538501	2649643
Stock in Process	3848349	2898440
Stock of Waste-Cotton	382565	230140
Stock of Stores, Spares & Packing Materials	2617580	3398136
Stock of Raw Materials	79252750	80069599
	<u>101639745</u>	<u>89245958</u>
SCHEDULE No.8		
SUNDRY DEBTORS (Unsecured)		
(i) Considered Good		
Debts Exceeding Six months	1262793	1592001
Other Debts	61888696	44054850
	<u>63151489</u>	<u>45646851</u>
(ii) Considered Doubtful		
	1520000	1520000
Less : Provision for Doubtful debts	1520000	1520000
	<u>0</u>	<u>0</u>
SCHEDULE No.9		
CASH & BANK BALANCES		
Cash on hand	274559	234635
Cash with Scheduled Banks - in Current A/Cs	1296012	789821
- in Deposit A/Cs	20066024	6216362
	<u>21636595</u>	<u>7240818</u>

13th Annual Report

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.10		
LOANS AND ADVANCES		
(Unsecured, Considered goods, Recoverable in Cash or in kind)		
Advances for Purchases / Expenses	1601086	4854850
Advance to Staff and other operatives	124532	181671
Deposits with Govt. & Other Authorities	6031343	5368519
Excise Duty/Modvat Advances	11287259	14053847
Prepaid Expenses	499050	328598
Advance Income Tax/TDS	8468645	4465191
Advances to others	129810	114810
	28141725	29367486
SCHEDULE No.11		
A) CURRENT LIABILITIES		
Liability for Purchases	2915727	10165983
Liability for Expenses	10437707	7406152
Unclaimed Dividends	504916	359618
	13858350	17931753
B) PROVISIONS		
Provision for Income Tax & FBT	9160500	4426000
Provision for Proposed Dividend	5303704	5260729
Provision for Tax on Dividend	901630	737817
	15365834	10424546
SCHEDULE No.12		
MISCELLANEOUS EXPENDITURES :		
Preliminary & Pre Operative Expenses	0	32485
Less:1/10th written off	0	32485
	0	0
Shares Issue Expenses	0	141402
Less:1/10th written off	0	141402
	0	0
Total	0	0

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.13		
SALES		
Yarn Sales :		
Domestic Sales - Yarn (Incl. Excise Duty)	287920182	290159879
- Fabrics	65611746	6513192
Direct Export Sales	6201508	814425
Merchant Export Sales	23170341	13909644
	<u>382903777</u>	<u>311397140</u>
Less : Excise Duty paid	41136	0
	<u>382862641</u>	<u>311397140</u>
Cotton Waste Sales	22770651	18002989
	<u>405633292</u>	<u>329400129</u>
SCHEDULE No.14		
OTHER INCOME		
Interest on Bank Deposits and others	971089	635073
Income - Duty Draw back received	843065	0
Income from Investment - Dividend	18860	5250
Profit on Sale of Assets	529050	3841635
Fabrication Charges	95861	0
TUF Loan interest subsidy relating to prior Year	4478866	0
Export Sales Exchange rate difference	0	13971
Miscellaneous Sales	158711	139123
	<u>7095502</u>	<u>4635052</u>
SCHEDULE No.15		
RAW MATERIAL CONSUMED :		
Opening Stock-Cotton	80069599	50120856
-Cotton in Process	1273744	1861680
Add: Cost of Cotton purchased	268576189	234565622
	<u>349919532</u>	<u>286548158</u>
Less: Closing Stock-Cotton	79252750	80069599
-Cotton in Process	1859284	1273744
	<u>268807498</u>	<u>205204815</u>
SCHEDULE No.16		
POWER & FUEL		
Power - Electricity	39594362	33057833
Less : Transfer from own WEG for Captive Use	17953431	16225274
	<u>21640931</u>	<u>16832559</u>
Generator Fuel	2298852	1310973
	<u>23939783</u>	<u>18143532</u>

13th Annual Report

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.17		
REPAIRS & MAINTENANCE		
Machinery Maintenance	2618931	3183285
Electrical Maintenance	534078	128832
Generator Maintenance	222943	67321
Building Maintenance	1603488	977202
Wind Mill Maintenance	505080	32500
Vehicle Maintenance	1064436	777649
Office Equipment Maintenance	187791	134960
General Maintenance	292264	250141
	<u>7029011</u>	<u>5551890</u>
SCHEDULE No.18		
SALARIES, WAGES AND OTHER BENEFITS		
Salaries & Wages	6073857	7755329
Stipend to Trainees	1220111	1075601
PF Contribution	268679	226709
Employee Gratuity	154170	123565
Other Benefits	2656117	2012868
	<u>10372934</u>	<u>11194072</u>
SCHEDULE No.19		
REMUNERATION TO DIRECTORS		
Remuneration to Managing Director	525000	550000
Remuneration to Joint Managing Director	450000	330000
Commission to Managing Director	415770	244067
	<u>1390770</u>	<u>1124067</u>
SCHEDULE No.20		
ADMINISTRATIVE AND OTHER EXPENSES		
Conversion charges	762866	0
Directors Sitting Fees	28000	22000
Printing and stationery	218820	213654
Postage, Telephone and Telegram	391617	482005
Professional charges & Legal Fees	191406	220164
Travelling & conveyance expenses	735346	641434
Advertisement Expenses	119895	66262
Bad Debts Written off	385032	31904
Preliminary & Pre Operative Expenses Written Off	0	32485
Share Issue Expenses written off	0	141402
Other Expenses	2306061	1910675
	<u>5139043</u>	<u>3761985</u>

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2007

	Current Year As at 31.3.2007 Rs.	Previous Year As at 31.3.2006 Rs.
SCHEDULE No.21		
RENT, TAXES & INSURANCE		
Insurance	2667322	1870272
Rent	184300	144000
Rates & Taxes	167410	222250
	3019032	2236522
SCHEDULE No.22		
SELLING AND DISTRIBUTION EXPENSES		
Commission, Brokerage & Rebates	2370650	2930818
Expenses on Export Sales	228316	54492
Freight on Yarn sales	13152	434291
	2612118	3419601
SCHEDULE No.23		
CHANGE IN STOCK OF FINISHED GOODS & SEMI FINISHED GOODS		
Opening Stock:		
Finished Goods - Yarn & Fabrics	2649643	8044967
Stock in Process	1624696	1503811
Stock of Waste Cotton	230140	216603
A	4504479	9765381
Closing Stock:		
Finished Goods -Yarn & Fabrics	15538501	2649643
Stock in Process	1989065	1624696
Stock of Waste Cotton	382565	230140
B	17910131	4504479
A-B	-13405652	5260902
SCHEDULE No.24		
Interest on Fixed Loans	9375840	11554761
Interest on Working Capital Credits	4753788	3497572
Interest on Unsecured Loans	0	155000
Bank Charges	777416	1272674
Hire Purchase Finance Charges	118493	49753
Bill discounting charges	447328	13500
	15472865	16543260

13th Annual Report

SCHEDULE NO.25

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2007

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.

(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 AND STATE VAT FOR INPUTS :

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

(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. 28.24 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.178.77 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.15.17 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.300.82 Lacs) from Union Bank of India is secured by hypothecation of the machinery purchased under the project.
- (v) Machinery Loan of Rs.1094.00 Lacs (Amount outstanding by partial availment Rs.164.52 Lacs) from Union Bank of India is secured by hypothecation of the machinery purchased under the project. Balance Loan of Rs. 929.48 Lacs yet to be availed.
- (vi) Machinery Loan of Rs.721.00 Lacs (Amount outstanding Rs.485.70 Lacs) from State Bank of India is secured by hypothecation of the machinery purchased under the project.
- (vii) Machinery loan of Rs. 432.00 Lacs (Amount outstanding Rs. 399.91 Lacs) from State Bank of India is secured by hypothecation of the machinery purchased under the project.
- (viii) Cash Credit and other working capital loans aggregating to Rs.913.00 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.
- (ix) 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.

13th Annual Report

2. Investment of Rs.2,000 in National Savings Certificate has been pledged with Government authorities in connection with the Company's business.
3. Deposits with Banks include :
 - (i) Rs.20,54,047/- (Rs.18,57,101) 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.10,14,280/- (Rs.8,69,490/-) 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 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 31.3.2007 (Rs. in Lacs)	Year Ended 31.3.2006 (Rs. in Lacs)
<u>Deferred Tax Liability :</u>		
Tax on Depreciation difference	409.98	430.04
<u>Deferred Tax Asset :</u>		
Tax on Unabsorbed Depreciation & Others	<u>11.79</u>	<u>142.14</u>
Deferred Tax Liability (Net)	398.19	287.90
Less : Tax credit u/s. 115JAA	<u>41.19</u>	<u>20.25</u>
Net Deferred Tax Liability at end of the Year	<u>357.00</u>	<u>267.65</u>
Net Deferred Tax Liability at beginning of the Year	<u>267.65</u>	<u>218.92</u>
Increase in Deferred Tax Liability	<u>89.35</u>	<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; this accounting treatment has no impact on Net Profit of the Company.
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. 179.53 Lacs (Previous year 162.25 Lacs) transferred to textile mill for captive consumption is not recognized as a turnover/revenue and also not considered as Power Cost.
7. 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)
8. Estimated amount of Contracts on Capital account, not provided for Rs.1183.00 Lacs (Rs. 235.97 Lacs)
9. (i) Managerial Remuneration :

(in Rupees)

Remuneration	Fixed Salary	Perquisites	Commission	Total
Managing Director	5,25,000 (3,00,000)	NIL (2,50,000)	4,15,770 (2,44,067)	9,40,770 (7,94,067)
Joint Managing Director	4,50,000 (1,80,000)	NIL (1,50,000)	NIL (NIL)	4,50,000 (3,30,000)
TOTAL	9,75,000	NIL	4,15,770	13,90,770

ii) Calculation of Commission to Managing Director		Rs.
Net Profit as per Profit & Loss Account		26932494
Add : Depreciation charged to account	36081253	
Provision for Taxation	4734500	
Provision for Deferred Tax	8935000	
Director's Remuneration	<u>1390770</u>	
		<u>51141523</u>
		78074017
Less : Depreciation under section 350		<u>36081253</u>
Net Profit for the Year		<u>41992764</u>
Commission 1% on Net profit payable to the Managing Director		<u>415770</u>

10. Remuneration to Auditors :

- a. Out of other Administration expenses (Schedule 21): - Rs.47,191/- (Rs.42,090) for Audit fee, Rs.10,112/- (Rs.8,418/-) for Tax Audit , Rs.15,730/- for Taxation services (Rs. 8,418/-).
- b. Out of Professional charges & Legal fees: - Towards Certificates issued Rs.10,944/- (Rs.13,063/-) and for Financial/Company Law advisory services Rs.28,177/- (11,224/-)

11. 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)

13th Annual Report

(ii) TRANSACTIONS WITH RELATED ENTERPRISES

Sl. No.	Name of the Related Enterprise	Nature of transaction	Amount Rs.	Amount Outstanding as on 31.3.07	Amount written off/ written back during the period
01.	M/s. Preeti Tex (Partnership firm of 2 directors and their relatives)	Fabrication Charges	62,250 (NIL)	NIL	NIL
02.	M/s. Preeti Enterprises (Smt. Pista Devi Jhajharia W/o. Shyamlal Agarwala-Proprietrix)	Sale of Finished goods	7,46,318 (2,24,408)	NIL	NIL
03.	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. 9(i).

12. Quantitative and other particulars:-

		Current year	Previous year
i) Details of Capacity			
a) Licenced capacity		NA	NA
b) Installed capacity(Spindles)		15696	15120
ii) Details of Production			
a) Cotton Yarn	Kgs.	3595372	2947594
b) Fabrics	Kgs.	599048	57242
c) Waste	Kgs.	1087644	913446
d) Wind Electricity	Units.	5129552	4635792
iii) Details of Turnover			
a) Cotton Yarn - Own Manufacture	Kgs.	2873401	2904581
	Rs.	317080849	302350788
b) Knitted Fabrics - Own Manufacture	Kgs.	599003	57242
	Rs.	65769648	6513192
c) Cotton Yarn & Fabrics - Trading	Kgs.	552	29263
	Rs.	53280	2533160
d) Waste	Kgs.	1028764	912506
	Rs.	22770651	18002989
iv) Details of Purchases			
Cotton Yarn for Trade	Kgs.	Nil	30504
	Rs.	Nil	2518980
v) Details of Raw material Consumption : Cotton			
Indigenous	Kgs.	4766781	3916529
	Rs.	269393038	204616879
Imported	Kgs.	0	0
	Rs.	0	0
vi) Details of Opening & Closing Stocks :-			
a) Opening 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
b) Closing Stock			
Finished goods:-			
Cotton Yarn	Kgs.	144660	22097
	Rs.	15275954	2535985
Trading Yarn	Kgs.	689	1241
	Rs.	60376	113658
Saleable Waste	Kgs.	78025	19145
	Rs.	382565	230140
Process stock	Rs.	3718114	2898440
Raw Materials	Kgs.	1416833	1429199
	Rs.	79252750	80069599
vii) Consumption of Spares & Components :-			
(indigenous)	Rs.	11232322	7000462
(imported)	Rs.	190648	206916
viii) Expenditure in Foreign Currency :			
Import of Machinery (C.I.F. Value)	Rs.	12069629	18822753
Interest on Foreign Currency Loan	Rs.	1012347	0
ix) Earnings in Foreign Exchange :			
FOB Value of Exports	Rs.	6201508	814425
x) a) Remittances in Foreign currencies on account of dividends to Non-Resident Shareholders		NIL	NIL
b) Number of Non-Resident Shareholders		6	1
c) Number of Shares held by them		9025	500
13. Earnings per Share (Basic & diluted)		31.03.2007	31.03.2006
i) Profits after tax as Profit & Loss account	Rs.	26932494	16594232
ii) No. of Equity Shares	Nos.	5351100	5351100
iii) Nominal value per share	Rs.	10	10
iv) Earnings per share		5.03	3.10

14. 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 : 13.06.2007

13th Annual Report

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

	(Rs.inLacs) 31.3.2007	(Rs.in Lacs) 31.3.2006
A. Cash flow from Operating Activities:-		
Profit before tax	406.02	235.27
Adjustments for:-		
Depreciation	360.81	283.42
Preliminary expenses written off	0	1.74
Interest paid	154.73	165.43
Interest receipts	(-) 9.71	(-) 6.35
Operating Profits before Working Capital Changes	911.85	679.51
Adjustments for:-		
Inventories	(-)123.94	(-) 250.73
Debtors	(-)175.05	28.47
Loans, advances & Interest	(-)276.67	(-) 138.40
Misc. Expenditure	0.00	0.00
Liabilities	(-)11.68	(-) 23.94
Total A	324.51	294.91
B. Cash flow from Investment Activities:-		
Purchase of Fixed Assets	(-) 496.85	(-) 1062.94
Increase in Investments	0	(-) 0.30
Total B	(-) 496.85	(-) 1063.24
C. Cash flow from Financial Activities:-		
Increase in Share Capital	4.30	2.29
Increase in Borrowings:-	685.29	937.10
Secured Loans	(-) 338.80	(-) 224.26
Unsecured Loans	(-)34.49	56.77
Total C	316.30	771.90
Net increase in Cash & Cash equivalents A+B+C	143.96	3.57
Opening balance Cash & Cash equivalents	72.41	68.84
Closing balance Cash & Cash equivalents	216.37	72.41
Net Increase/(Decrease) in Cash equivalents	(-) 143.96	(-) 3.57

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 : 13.06.2007

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :-

Registration No. : 181-4797
State Code : 18
Corporate Identification No. (CIN) : L17111TZ1994PLC004797
Balance Sheet date : 31.03.2007

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 : 474838
Total Assets : 474838

Sources of Funds (Rs.)

Paid-up Capital : 53037
Share Application Money : 0
Reserves & Surplus : 55028
Deferred Tax Liability : 35700
Secured loans : 259941
Unsecured Loans : 71132

Application of Funds (Rs.)

Fixed Assets : 283090
Investments : 288
Net Current Assets : 191460

IV. PERFORMANCE OF COMPANY (RS.)

Turnover : 412729
Total expenditure : 371882
Profit Before Tax : 40847
Profit After Tax : 26932
Earning per share in Rs. : 5.03
Dividend rate : 10%

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

Items code No. (ITC Code)	Product Description
520511.01	Cotton Yarn
600621.00	Knitted Fabrics

ON BEHALF OF THE BOARD

Place: COIMBATORE
Date : 13.06.2007

(Sd)..
SHYAMLAL AGARWALA
Managing Director

(Sd)..
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 Thirteenth 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 Saturday the 22nd day of September, 2007 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 Thirteenth Annual General Meeting of the Company to be held on Saturday the 22nd day of September, 2007 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.....2007

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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