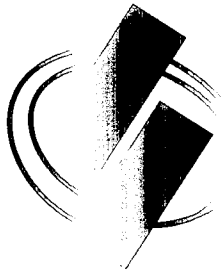


Salona
Cotspin
LIMITED



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14TH Annual Report
2007 - 2008

FOURTEENTH ANNUAL REPORT
2007 - 2008

CERTIFIED TRUE COPY
For SALONA COTSPIN LTD.

Shyam Lal Agarwal
Managing Director

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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.

NOTICE

Notice is hereby given that the FOURTEENTH Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 11th September 2008 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 31st March 2008 along with the reports of the Auditors and Directors thereon.
2. To elect a Director in the place of Sri. G.V.S Desikan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE
Date : 23.06.2008

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 09.09.2008 to 11.09.2008 (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. Shareholders are hereby informed that those who have not encashed their dividend warrants relating to one or more financial years up to the financial year ended 31st March, 2007 are requested to communicate to the Registrar & Transfer Agent, M/s. S.K.D.C. Consultants Limited, Post Box. No. 2979, No.11, S.N. Layout, Street No. 1, Tatabad, Coimbatore 641 012 seeking claim for their unencashed dividends:

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Serial No	Financial Year	Date Of Declaration	Amount of Dividends Remaining Unclaimed
1	31 st March,2003	29.09.2003	103618
2	31 st March,2004	16.09.2004	113969
3	31 st March,2005	28.09.2005	102995
4	31 st March,2006	27.09.2006	132105
5	31 st March,2007	22.09.2007	184452

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

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

Coimbatore Stock Exchange, 683-686, CSX Tower, Trichy Road, 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.G.V.S. DESIKAN
Age : 75 Years
Date of Appointment : 23.02.1995
Qualifications : B.Sc., B.Sc. (Tech)
Expertise in Specific Functional area : More than 53 years in Textile & General Management
Other Directorships : 8
Member of Committee : 4



DIRECTORS REPORT

Your Directors have great pleasure in presenting their **FOURTEENTH** Annual Report together with the audited financial statements of the Company for the year ended 31st March 2008.

Working Results

	Rs. in Lacs	
	31st March 2008	31st March 2007
INCOME		
Gross Sales and Other receipts :	4617.12	4067.31
Other Income	14.17	59.98
Total	4631.29	4127.29
Gross profit before interest, depreciation and tax	754.50	924.01
Less : Interest	257.30	154.73
Profit after interest, but before depreciation and tax	497.20	769.28
Less : Depreciation	401.52	360.81
Less : Prior Year Adjustments	0.00	2.45
PROFIT BEFORE TAX	95.68	406.02
Less : Provision for Income Tax - Current Tax	10.62	46.44
- Current Year FBT	1.96	0.90
- Add/(Less):Deferred Tax Liability-written back	24.47	(89.35)
NET PROFIT AFTER TAX	107.57	269.33
Less : Prior Year Tax on Dividend	0.00	0.31
Add : Opening Surplus	550.29	343.32
Total profit available for appropriation	<u>657.86</u>	<u>612.34</u>
APPROPRIATION		
The above Profit is proposed to be appropriated as stated below:-		
Proposed Dividend		53.03
Tax on Corporate Dividend		9.02
Surplus Carried over to Balance Sheet	<u>657.86</u>	<u>550.29</u>

14th Annual Report

DIVIDEND

In view of Lower Cash generation, the Board of Directors have not recommended any dividend for the financial year, under review.

REVIEW OF OPERATIONS

During the financial year under review, Sales have increased from Rs.4058.88 Lacs to Rs. 4591.53 Lacs mainly on account of increased spindle capacity from 15696 Spindles to 21711 Spindles. With increase in capacity and better utilization; the mill has produced cotton yarn viz., 39.05 Lacs Kgs. as against 35.95 Lacs Kgs. in last year & Knitted fabrics 16.28 Lacs Kgs as against 5.99 Lacs Kgs in last year. The Operating Profit and Cash Profit, however, is substantially lower due to the following factors:

- Financial year 2007-08 has been a difficult year to the textile industry in general.
- The steep increase in the prices of raw material, with out a commensurate increase in the prices of finished goods
- Frequent Power interruptions
- Rapid appreciation of Rupee against Dollar
- Increase in Bank interest rates.

During the year under review, the windmills generated 43.64 Lacs units of wind electricity as against 51.30 Lacs units in the previous period. The stoppage of a Wind Mill in the month of July 2007 for 25 days, due to major machinery breakdown caused a steep fall in the overall generation of electricity, when compared with the previous period. The Wind electricity was fully consumed captively by use in the Textile Mill.

OUTLOOK FOR THE IMMEDIATE FUTURE

The Company will continue to pursue the policy of constant modernization by upgrading the textile machines, to improve quality and quantity. The textile industry is now exposed to various challenges and hence the financial performance of the company squarely depends upon availability of cotton at remunerative prices, yarn prices to be stable and regular power supply etc. The steep increase in the prices of petroleum products due to astronomical raise in crude oil prices has also impacted every segment of the economy. Your directors are taking all possible steps to face the challenges and arrest further fall in profitability of working of the mill.

FINANCES

During the year under review, the Company could collect calls in arrears to the extent of Rs.1.20 Lacs. The paid up Share Capital of the company stood at Rs. 531.57 Lacs. As the efforts to collect the balance of calls in arrears have yielded no results, your directors have served a final notice on the shareholders for payment, failing which the shares will be forfeited. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.657.86 Lacs. The liability for interest free sales tax deferred credit stood at Rs.646.86 Lacs. (Rs.711.32 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 during the year.

PERSONNEL

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

INFORMATION PURSUANT TO SECTION 217 OF COMPANIES ACT, 1956

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

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

DIRECTORS

Shri G.V.S.Desikan the Director longest in Office, will be retiring by rotation at the ensuing Annual General Meeting. Being eligible, he offers himself 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 compliance with the conditions of listing agreements.

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

ACKNOWLEDGEMENT

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

Place: COIMBATORE

Date : 23.06.2008

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 2007-2008	Previous Year 2006-2007
A. CONSERVATION OF ENERGY:-		
I. Power & Fuel Consumption:-		
1. Electricity		
a) Purchased		
Units	7098441	4414945
Total amount (Rs.)	32339809	21640931
Rate per Unit (Rs.)	4.55	4.90
b) Own generation through Diesel Generators:-		
Units (KWH)	338061	253511
Consumed (Litres)	88120	66355
Total amount (Rs.)	2584249	2298852
Units per litre of diesel (KWH)	3.83	3.82
Cost per unit (Rs.)	7.64	9.07
2. Coal		
3. Furnace Oil		
4. Others/Internal generation		
Wind Electricity through own WEG's (Unit)	4364448	5129552
Total Amount (Rs.)	15275566	17953431
II. Consumption per unit of Production:-		
Production in Kgs	3905209	3595372
Electricity Units	11769281	9798008
Unit/Kg of Yarn	3.01	2.73
B. Technology Absorption :-		
Since all the machinery installed are new, and of latest technology available, no formal research and developments activities were undertaken. Product and process development are made on continuous basis. The Company is a member of South India Textile Research Association (SITRA) and avails all the benefits out of the research findings and development activities of SITRA.		
C. Foreign Exchange Earnings & Outgo :-		
i) Total Foreign exchange earned :-		
F.O.B Value of Exports of finished and Trading goods	Rs. in Lacs 400.94	Rs. in Lacs 62.01
ii) Remittances in Foreign exchange :-		
Machinery & Spares and Interest on FCL	504.54	130.82

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Chairman

Place: COIMBATORE

Date : 23.06.2008

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure and Developments : The Company's main product continues to be Cotton Yarn 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.

Opportunities and Threats : 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 : During the year the yarn production is 3905 Tons & Fabrics 1628 Tons. (Last year Yarn 3595 Tons. Fabrics - 599 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 in minimizing the cost of operation.

The Company earned a post tax profit of Rs.107.57 Lacs (Previous Year Rs.269.32 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
Chairman

Place: COIMBATORE
Date : 23.06.2008

REPORT ON CORPORATE GOVERNANCE

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

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

2. BOARD OF DIRECTORS :-

A) Composition of the Board :-

The Board of Directors comprises of Seven Members including Chairman and Managing Director and one Joint Managing Director, both of whom represent the Promoters; the remaining of the 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 2008 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	8	2	2
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, 2007 to March 31, 2008, Five Board Meetings were held

29th May 2007	13th June 2007	30th July 2007	29th October 2007	30th January 2008
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Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 22nd September 2007 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	NIL	DA
7.	Sri SP. Sekar	5	5	P

P - Present DA - Did not attend

3. **AUDIT COMMITTEE :-**

A) Composition, Names of members and Chairperson :-

The Board of Directors of your Company have constituted the Audit Committee with the following directors as members (1) Sri G.V.S Desikan (2) Sri Mahesh Agarwal 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 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 - Member
3. Sri. Mahesh Agarwal - Member

Executive Directors, their business interest & remuneration paid :

Name of the Directors	Relationship with other Director	Business relationship with the company if any	Remuneration paid/Payable during 2007 - 2008 (Rs.)		
			Salary & Perks	Commission	Total
1. Shyamlal Agarwala Managing Director	Parent of Joint Managing Director	Promotor	600000	0	600000
2. Manoj Kumar Jhajharia Joint Managing Director	Son of Managing Director	Promotor	540000	0	540000

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

Non Executive Directors and details of remuneration paid :

Serial No.	Name of the Director	Position	Sitting Fees
1.	Sri. G.V.S. Desikan	Non Executive Independent	Rs. 13,000
2.	Sri. SP. Sekar	Non Executive Independent	Rs. 9,000

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.

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

Three Complaints were received from shareholders during the financial year 2007-2008 and were resolved to the satisfaction of the shareholders. No share transfer was pending as on 31.3.2008.

6. GENERAL BODY MEETING :-

A) Location and time, where last three Annual General Meeting held :-

AGM Number	Date	Time	Venue
THIRTEENTH	22nd September 2007	10.30 AM	Registered Office
TWELFTH	27th September 2006	10.30 AM	Registered Office
ELEVENTH	28th September 2005	10.30 AM	Registered Office

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 : 11.09.2008
 - 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 Compliance Officer : Sri Manoj Kumar Jhajharia
Joint Managing Director
- iii) Financial Year : 31.03.2008
- iv) Date of Book Closure : 09.09.2008 to 11.09.2008 (Both days inclusive)
- v) Results for the quarter : June 2008 (By 31st July 2008), September 2008 (By 31st October 2008), December 2008 (By 31st January 2009) & March 2009 (Audited by 30th June 2009)

vi) Listing on Stock Exchanges : Listed in Ahmedabad, Kolkata, Chennai, Coimbatore and Mumbai Stock Exchanges.
Permitted for trading in BSE Indonext segment of Bombay Stock Exchange Ltd. w.e.f. 05.07.2006

vii) Market price data :

Month	Highest	Lowest	Volume
April 2007	26.15	17.60	15948
May 2007	22.00	18.45	21212
June 2007	25.15	16.65	25516
July 2007	23.50	17.60	49827
August 2007	23.70	17.85	25035
September 2007	23.25	17.50	44154
October 2007	21.95	15.50	60497
November 2007	37.45	19.40	425419
December 2007	23.85	19.80	79421
January 2008	25.00	17.15	74077
February 2008	20.05	15.00	25933
March 2008	19.85	11.05	81123

viii) 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.

ix) Share transfer systems :

The company ensures that all transfers of shares are duly effected within the period of one month from the date of their 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.

x) Dematerialisation of shares :

As on 31.03.2008, 946400 Shares constituting 17.686% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

xi) Distribution of Shareholding :

Range	No. of Shareholders	% of Holders	No. of Shares	% held
Up to 5000	1221	65.50	4830540	9.03
5001 to 10000	347	18.62	3285970	6.14
10001 to 20000	154	8.26	2502590	4.68
20001 to 30000	40	2.15	1078270	2.02
30001 to 40000	20	1.07	724500	1.35
40001 to 50000	14	0.75	635320	1.19
50001 to 100000	20	1.07	1613550	3.02
100001 and above	48	2.58	38840260	72.57
Total	1864	100.00	53511000	100.00

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xii) Category-wise distribution of shareholding :

S.No.	Category	No. of Shares	Percentage
	Promoter's Holding		
1.	Promoters	608395	11.370
2.	Persons acting in concert	2474205	46.237
	Sub Total	3082600	57.607
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	38500	0.719
	Sub Total	38500	0.719
	Other		
4.	Private Corporate Bodies	496552	9.279
5.	Indian Public	1729735	32.326
6.	NRI's/OCB's	3713	0.069
	Sub Total	2230000	41.674
	Total	5351100	100.000

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

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

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Chairman

Place: COIMBATORE
Date: 23.06.2008

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 2008, 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 31.03.2008 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

Place: COIMBATORE
Date : 23.06.2008

(Sd)..
V.S.SRINIVASAN
Partner
Membership No. F 13729

AUDITORS' REPORT

To the Members

SALONA COTSPIN LIMITED

We have audited the attached Balance Sheet of SALONA COTSPIN LIMITED as at 31st March 2008 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 2008, 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 2008;
 - (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 : 23.06.2008

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, 2008 for a period of more than six months from the date of becoming payable.

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

FOR VKS AIYER AND COY
Chartered Accountants

(Sd)..

V.S.SRINIVASAN
Partner

Membership No. F 13729

Place: COIMBATORE
Date : 23.06.2008

BALANCE SHEET AS AT 31ST MARCH 2008

	Sch No.	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS :-			
Share Capital	1	53157422	53037044
Reserves & Surplus	2	65785846	55028428
DEFERRED TAX LIABILITY		33253000	35700000
LOAN FUNDS :-			
Secured Loans	3	312454073	259940536
Unsecured Loans	4	64686087	71131528
		<u>529336428</u>	<u>474837536</u>
APPLICATION OF FUNDS :-			
FIXED ASSETS :			
Gross Block	5	504390063	394633138
Less: Depreciation		172351232	137048985
		<u>332038831</u>	<u>257584153</u>
Add: Capital Work-in progress		830814	11084316
Add: Advances paid for Capital goods		10243526	14421119
Net Block		<u>343113171</u>	<u>283089588</u>
INVESTMENTS :-	6	285920	287920
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	7	99910225	101639745
Sundry Debtors	8	54762802	63151489
Cash & Bank Balances	9	7326196	21636595
Other Current Assets	10	9945006	6114658
Loans & Advances	11	36527645	28141725
		<u>208471874</u>	<u>220684212</u>
CURRENT LIABILITIES & PROVISIONS :			
i) Liabilities	12	17070601	13858350
ii) Provisions	13	10418100	15365834
		<u>27488701</u>	<u>29224184</u>
NET CURRENT ASSETS (a - b)		<u>180983173</u>	<u>191460028</u>
MISCELLANEOUS EXPENDITURE			
to the extent not written off or adjusted			
Deferred Revenue Expenses	14	4954164	0
		<u>529336428</u>	<u>474837536</u>

Read with Schedules (1) to (14) & Notes on Accounts in Schedule (26)

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
Membership No. F-13729
Place : COIMBATORE
Date : 23.06.2008

SHYAMLAL AGARWALA
Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA
Joint Managing Director

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	Sch No.	For the period ended 31.3.2008 Rs.	Previous Year ended 31.3.2007 Rs.
INCOME			
Sales / Other Operating Receipts	15	461711747	406730929
Other Income	16	1417211	5997865
TOTAL		<u>463128958</u>	<u>412728794</u>
EXPENDITURE			
Raw Materials Consumed	17	301102274	268807498
Purchase of Trading Goods - Yarn		7785307	0
Manufacturing Charges	18	47867424	26447555
Repairs & Maintenance	19	14038082	15817458
Salaries, Wages & Other Benefits	20	12858433	10372934
Remuneration to Directors	21	1162000	1418770
Administrative & Other Expenses	22	7169925	6177725
Selling & Distribution Expenses	23	6416466	4691309
		<u>398399911</u>	<u>333733249</u>
Add/Less: Change in stock of finished & semi finished goods	24	-10721264	-13405742
Sub-Total		<u>387678647</u>	<u>320327507</u>
PROFIT BEFORE INTEREST & DEPRECIATION			
Interest & Finance Charges	25	75450311	92401286
		<u>25730603</u>	<u>15472865</u>
PROFIT BEFORE DEPRECIATION			
Depreciation		49719708	76928422
		<u>40151690</u>	<u>36081253</u>
		9568018	40847169
LESS : Adjustment relating to Prior year		0	245175
PROFIT BEFORE TAX		<u>9568018</u>	<u>40601994</u>
LESS : Taxes for the Year			
Provision for Income Tax		1061900	4644000
Provision for Fringe Benefit Tax		195700	90500
Provision for Deferred Tax		0	8935000
ADD : Provision for Deferred Tax Liability - Written back		2447000	0
NET PROFIT AFTER TAX		<u>10757418</u>	<u>26932494</u>
LESS : Provision for shortfall for Dividend Distribution Tax		0	31036
ADD : Surplus Brought Forward		55028428	34332304
TOTAL		<u>65785846</u>	<u>61233762</u>
APPROPRIATIONS			
Proposed Dividend on Equity Shares		0	5303704
Tax on Dividend		0	901630
Surplus carried over to Balance Sheet		65785846	55028428
		<u>65785846</u>	<u>61233762</u>
Earnings per Share (Basic & Diluted)	Rs.	2.01	5.03

Read with Schedules (15) to (25) & Notes on Accounts in Schedule (26)

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

Membership No. F-13729

Place : COIMBATORE

Date : 23.06.2008

(Sd)..

SHYAMLAL AGARWALA

Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA

Joint Managing Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 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*	353578	473956
*(other than Directors)	<u>53157422</u>	<u>53037044</u>
SCHEDULE No.2		
RESERVES & SURPLUS		
Surplus		
P&L Account Surplus	<u>65785846</u>	<u>55028428</u>
	<u>65785846</u>	<u>55028428</u>
SCHEDULE No.3		
SECURED LOANS :		
i) Term Loans from Banks:		
Union Bank of India	115354530	46155638
The Catholic Syrian Bank Ltd.	10863099	21999821
State Bank of India	75700000	87710000
ii) Cash Credit from Banks :		
Union Bank of India	34186058	18963578
Union Bank of India Packing Credit	3795282	3000000
Union Bank of India FCL Loan	17500000	17500000
The Catholic Syrian Bank Ltd.	13166302	8934500
State Bank of India	26408142	45847072
State Bank of India FCNRB Loan	9861250	0
iii) Foreign Bills purchased by Banks :		
Union Bank of India (FDBP A/c)	2303100	0
Union Bank of India (UDBP A/c)	339019	6343454
iv) Hire Purchase Finance from others		
	964405	2037780
v) Interest accrued and due on Term Loans		
	2012886	1448693
	<u>312454073</u>	<u>259940536</u>
SCHEDULE No.4		
UNSECURED LOANS:		
IFST Deferral Scheme Loan	<u>64686087</u>	<u>71131528</u>
	<u>64686087</u>	<u>71131528</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE No.5 FIXED ASSETS

	COST				DEPRECIATION				W.D.V	
	As at 01.04.2007 RS	Additions/ Transfers Rs	Deletions/ Transfers Rs	As at 31.03.2008 Rs	As at 01.04.2007 Rs	Additions Rs	Deduction Rs	As at 31.03.2008 Rs	As at 31.03.2008 Rs	As at 31.3.2007 Rs
Land	826902	0	0	826902	0	0	0	0	826902	826902
Buildings	36516894	19712670	0	56229564	9169927	1271881	0	10441808	45787756	27346967
Plant & Machinery	261882779	95079281	5149146	351812914	96304454	29082860	4849443	120537871	231275043	165578325
Wind Electric Generator	86891050	0	0	86891050	28791415	8984535	0	37775950	49115100	58099635
Vehicles	5071884	0	0	5071884	1194266	477759	0	1672025	3399859	3877618
Furniture & Fittings	829858	22162	0	852020	277141	47362	0	324503	527517	552717
Office Equipments	2460695	91958	0	2552653	1305134	280022	0	1585156	967497	1155561
Canteen Equipments	153076	0	0	153076	6648	7271	0	13919	139157	146428
TOTAL	394633138	114906071	5149146	504390063	137048985	40151690	4849443	172351232	332038831	257584153
Capital Work in progress - Machinery & Building	11084316	830814	11084316	830814						11084316
TOTAL	405717454	115736885	16233462	505220877	137048985	40151690	4849443	172351232	332038831	268668469
Previous Year Total	377407050	36473992	8163588	405717454	110824116	36081253	9856384	137048985	268668469	266582934

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SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 Rs.
SCHEDULE No.6		
INVESTMENTS		
TRADE - UNQUOTED :		
In Equity Shares (Unquoted) :		
20000 Equity shares of Rs 10/each in Sarvamangalam Synthetics Ltd.	200000	200000
NON TRADE - QUOTED :		
In Equity Shares (Quoted) :		
3772 Equity shares of Rs. 10/ each in Union Bank of India (Market Value Rs. 563725/-)	85920	85920
NON TRADE - UNQUOTED :		
In Government Securities (Unquoted) :		
National Savings Certificate (Pledged with Government of India)	0	2000
	<u>285920</u>	<u>287920</u>
Aggregate Value of Quoted Investments	85920	85920
Market Value Thereof	563725	562028
Aggregate Value of Unquoted Investments	200000	202000
SCHEDULE No.7		
INVENTORIES		
Stores, Spares & Packing Materials	2696406	2617580
Raw Materials	66839661	79252750
Work in Process	11438392	3848349
Finished goods - Yarn & Fabrics	18755006	15538501
By-Product Waste - Cotton	180760	382565
	<u>99910225</u>	<u>101639745</u>
SCHEDULE No.8		
SUNDRY DEBTORS (Unsecured)		
(i) Considered Good		
Debts Exceeding Six months	1067395	1262793
Other Debts	53695407	61888696
	<u>54762802</u>	<u>63151489</u>
(ii) Considered Doubtful		
Less : Provision for Doubtful debts	1600000	1520000
	<u>1600000</u>	<u>1520000</u>
	0	0
SCHEDULE No.9		
CASH & BANK BALANCES		
Cash on hand	217828	274559
Cash with Scheduled Banks - in Current A/Cs	1941555	1296012
- in Deposit A/Cs	5166813	20066024
	<u>7326196</u>	<u>21636595</u>

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SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 Rs.
SCHEDULE No.10		
OTHER CURRENT ASSETS		
Interest Accrued	449605	127352
Income Receivable	9495401	5987306
	<u>9945006</u>	<u>6114658</u>
SCHEDULE No.11		
LOANS AND ADVANCES		
(Unsecured, Considered goods, Recoverable in Cash or in kind for value to be recd)		
Advances for Purchases / Expenses	5833864	1601086
Advance to Staff and other operatives	318421	124532
Deposits with Govt. & Other Authorities	7345664	6031343
Excise Duty/Modvat Advances	11511346	11287259
Prepaid Expenses	386338	499050
Advance Income Tax/TDS	11002202	8468645
Advances to others	129810	129810
	<u>36527645</u>	<u>28141725</u>
SCHEDULE No.12		
CURRENT LIABILITIES		
Liability for Purchases		
To Micro Small & Medium Scale Enterprises	--	--
To Others	2633058	2915727
Liability for Expenses	13800404	10437707
Unclaimed Dividends	637139	504916
	<u>17070601</u>	<u>13858350</u>
SCHEDULE No.13		
PROVISIONS		
Provision for Taxation		
Provision for Income Tax & FBT	10418100	9160500
Provision for Proposed Dividend	0	5303704
Provision for Tax on Dividend	0	901630
	<u>10418100</u>	<u>15365834</u>
SCHEDULE No.14		
MISCELLANEOUS EXPENDITURES		
(to the extent not written off or adjusted)		
Deferred Revenue Expenditure :-		
Incurred during the year	5573435	0
Less : Amortised during the year	619271	0
	<u>4954164</u>	<u>0</u>

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2008

	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 Rs.
SCHEDULE No.15		
SALES & OTHER OPERATING RECEIPTS		
Finished Goods	430888346	382903777
Less : Excised Duty paid	0	41136
	<u>430888346</u>	<u>382862641</u>
By-Product - Cotton Waste	28096560	22770651
Fabrication Charges (TDS Rs.2613/-)	129743	95861
Duty Draw Back	2405660	843065
Exchange Fluctuation Gain	153538	0
Miscellaneous Items	37900	158711
	<u>461711747</u>	<u>406730929</u>
SCHEDULE No.16		
OTHER INCOME		
Interest Receipts (TDS Rs.189088/-)	853425	5449955
Dividend from Indian Companies	7544	18860
Profit on Sale of Assets	556242	529050
	<u>1417211</u>	<u>5997865</u>
SCHEDULE No.17		
RAW MATERIAL CONSUMED :		
Opening Stock-Cotton	79252750	80069599
-Cotton in Process	1859284	1273744
Add: Cost of Cotton purchased	288572574	268576189
	369684608	349919532
Less: Closing Stock-Cotton	66839661	79252750
-Cotton in Process	1742673	1859284
	<u>301102274</u>	<u>268807498</u>
SCHEDULE No.18		
MANUFACTURING CHARGES		
Consumption of Spares	2181119	1744906
Power & Fuel	34924058	23939783
Other Manufacturing Expenses	10762247	762866
	<u>47867424</u>	<u>26447555</u>

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2008

	Current Year As at 31.3.2008 Rs.	Previous Year As at 31.3.2007 Rs.
SCHEDULE No.19		
REPAIRS & MAINTENANCE		
Plant & Machinery	8449847	11407378
Electricals	272922	534078
Generator	17417	222943
Building	1189847	1603488
Wind Mill	2488454	505080
Vehicle	891280	1064436
Office Equipment	246629	187791
General	481686	292264
	<u>14038082</u>	<u>15817458</u>
SCHEDULE No.20		
SALARIES, WAGES AND OTHER BENEFITS		
Salaries & Wages	6744166	6073857
Stipend to Trainees	2321376	1220111
PF Contribution	301274	268679
Employee Gratuity	332070	154170
Other Benefits	3159547	2656117
	<u>12858433</u>	<u>10372934</u>
SCHEDULE No.21		
DIRECTORS REMUNERATION		
Remuneration to Managing Director	600000	940770
Remuneration to Joint Managing Director	540000	450000
	<u>1140000</u>	<u>1390770</u>
Sitting Fees to Other Directors	22000	28000
	<u>1162000</u>	<u>1418770</u>
SCHEDULE No.22		
ADMINISTRATIVE AND OTHER EXPENSES		
Insurance	2636650	2667322
Rent	206227	184300
Rates & Taxes	272525	167410
Printing and Stationery	312698	218820
Postage, Telephone and Telegram	519736	391617
Professional charges & Legal Fees	251916	191406
Travelling & Conveyance expenses	1381488	735346
Donations	71000	67000
Other Expenses	1517685	1554504
	<u>7169925</u>	<u>6177725</u>

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2008

Current Year As at 31.3.2008	Previous Year As at 31.3.2007
Rs.	Rs.

SCHEDULE No.23

SELLING AND DISTRIBUTION EXPENSES

Packing Materials Consumed	2364728	1574174
Advertisement Expenses	145725	119895
Bad Debts Written off	74177	385032
Provision for Doubtful Debts	80000	0
Commission, Brokerage & Rebates	596044	2370650
Expenses on Export Sales	1907892	228316
Freight on Yarn sales	1247900	13242
	<u>6416466</u>	<u>4691309</u>

SCHEDULE No.24

CHANGE IN STOCK OF FINISHED GOODS & SEMI FINISHED GOODS

Opening Stock:		
Finished Goods - Yarn	12681550	2649643
Work in Process	4846106	1624696
By Product - Waste Cotton	382565	230140
	A	
	<u>17910221</u>	<u>4504479</u>
Closing Stock:		
Finished Goods - Yarn	17980213	12681550
Finished Goods - Fabrics	774793	0
Work in Process	9695719	4846106
By Product - Waste Cotton	180760	382565
	B	
	<u>28631485</u>	<u>17910221</u>
	A-B	
	<u>-10721264</u>	<u>-13405742</u>

SCHEDULE No.25

INTEREST & FINANCE CHARGES

Interest on Fixed Loans	14690381	9375840
Interest on Working Capital Credits	9365204	4753788
Hire Purchase Finance Charges	127597	118493
Bank Charges	1063044	777416
Bill discounting charges	484377	447328
	<u>25730603</u>	<u>15472865</u>

SCHEDULE NO.26

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2008

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) 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.

(D) 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.

(E) INVESTMENTS :

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

(F) 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 : lower of cost or net realisable value
- Fabric : lower of cost or net realisable value
- Saleable waste : net realisable value / since, realised rates
- iii) Stock in process : at cost
- iv) Stock of packing : at cost
materials and Stores/Spares

(G) 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.

(H) RETIREMENT BENEFITS :

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

(I) DEFERRED REVENUE EXPENDITURE :

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

(J) TAXES ON INCOME :

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

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

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

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II. NOTES FORMING PART OF ACCOUNTS

		31st Mar 2008	31st Mar 2007
1. Details of Turnover :			
a) Finished Goods - Cotton Yarn Indigenous	Rs.	214,282,766	287,879,046
	Kgs.	1,989,307	2,604,551
b) Finished Goods - Cotton Yarn Direct Exports	Rs.	9,576,561	6,201,508
	Kgs.	76,205	268,850
c) Finished Goods - Cotton Yarn Merchant Exports	Rs.	13,858,349	23,170,341
	Kgs.	133,207	211,377
d) Finished Goods - Knitted Fabrics Indigenous	Rs.	162,653,233	65,611,746
	Kgs.	1,434,271	598,035
e) Finished Goods - Knitted Fabrics Direct Export	Rs.	23,070,675	--
	Kgs.	186,913	--
f) Finished Goods - Trading Export	Rs.	7,446,762	--
	Kgs.	83,590	--
Total Turnover of Finished goods	Rs.	430,888,346	382,862,641
g) By product	Rs.	28,096,560	22,770,651
	Kgs.	1,173,552	1,028,764
h) Raw Materials - Cotton	Rs.	--	717,093
	Kgs.	--	16,207
i) Wind Energy Realised	Units	4,364,448	5,129,552
	Rs.	15,275,566	17,953,431
*Wind Energy is generated by the Wind Energy division and is consumed by the Textile Division			
2. Details of Purchases :			
A. Raw Materials - Cotton			
a) Indigenous	Rs.	288,572,574	268,576,189
	Kgs.	4,723,124	4,770,622
b) Imported	Rs.	--	--
	Kgs.	--	--
B. Goods For Trade - Yarn			
a) Indigenous	Rs.	7,785,307	--
	Kgs.	83,590	--
3. Details of Consumption :			
A. Raw Materials - Cotton			
a) Indigenous	Rs.	300,985,663	269,393,038
	Kgs.	5,082,419	4,766,780
b) Imported	Rs.	--	--
	Kgs.	--	--
B. Cotton Hosiery Yarn - For Knitting			
a) Indigenous	Kgs.	1,669,270	624,096
C. Stores & Spares			
a) Indigenous	Rs.	2,181,119	1,554,258
b) Imported	Rs.	--	190,648

4. A. Details of Opening Stock :

i) Raw Materials - Cotton	Rs.	79,252,750	80,069,599
	Kgs.	1,416,834	1,429,199
ii) Finished Goods - Cotton Yarn	Rs.	12,681,550	2,535,985
	Kgs.	119,491	22,097
iii) Finished Goods - Hosiery Knitted Cloth	Rs.	--	--
	Kgs.	--	--
iv) By Product	Rs.	382,565	230,140
	Kgs.	78,025	19,145

B. Details of Closing Stock :

i) Raw Materials - Cotton	Rs.	66,839,661	79,252,750
	Kgs.	1,057,539	1,416,834
ii) Finished Goods - Cotton Yarn	Rs.	17,980,213	12,681,550
	Kgs.	156,711	119,491
iii) Finished Goods - Hosiery Knitted Cloth	Rs.	774,793	--
	Kgs.	6,648	--
iv) By Product	Rs.	180,760	382,565
	Kgs.	11,113	78,025

5. Production Capacity :

Licenced Capacity	Spindles	Not Applicable	Not Applicable
Installed Capacity	Spindles	21,744	15,696

6. Actual Production :

i) Finished goods - Cotton Yarn (Cones)	3,905,209	3,595,371
ii) Finished goods - Hosiery Knitted Fabrics	1,627,833	599,048

7. Value of Imports - CIF :

Components & Spares	Rs.	--	190,648
Capital Goods	Rs.	47,650,676	12,069,629

8. Expenditure in Foreign Currency :

Interest & Bank Charges	Rs.	2,683,623	1,012,347
Commission on Exports	Rs.	--	--
Travelling Expenses to Directors & Technicians	Rs.	120,147	--

9. Breakup of Consumption :

a) Raw Material Consumed Cotton		(100%)	(100%)
Indigenous	Rs.	300,985,663	269,393,038
Imported	Rs.	--	--
		<u>300,985,663</u>	<u>269,393,038</u>
b) Components, Stores and Spares		100.00%	89.07%
Indigenous	Rs.	2,181,119	1,554,258
		0.00%	10.93%
Imported	Rs.	--	190,648
		<u>2,181,119</u>	<u>1,744,906</u>

10. Amount remitted in foreign currency on account of dividends

	NIL	NIL
Number of Non Resident Shareholders	4	6
Number of Shares Held by them	3,713	9,025

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11. Earnings in foreign currency Direct Export of Goods (F O B)		40,093,998	6,201,508
12. Estimated amount of contracts to be executed on capital accounts and not provided for(Rs. in Lakhs)		643	1,183
13. Liability for bills discounted with Banks (Rs.)		2,642,119	6,343,454
14. Claims against the company not acknowledged as debts :		NIL	NIL
Towards Electricity Tariff Subsidy Availed disputed by the Electricity Board		5,275,000	5,275,000
Towards imports of cotton demanded by foreign supplier but disputed by the company		1,190,000	1,190,000
15. Details of term loans granted/outstanding from its Bankers as under :	Granted Rs. in Lakhs	Outstanding Rs. in Lakhs	Outstanding Rs. in Lakhs
i) Mortgage Term Loans :			
Catholic Syrian Bank Limited			
Term Loan for Machinery Phase IV	150.00	9.64	28.24
Term Loan for Wind Energy Generators	412.50	90.66	178.78
Term Loan for One No Auto Coner Machinery	26.35	9.55	15.17
ii) Mortgage Term Loans :			
Under Textile Upgradation Fund Scheme			
Union Bank of India			
Term Loan for Machinery Project	390.00	225.79	300.82
Term Loan for Machinery Project	1094.00	939.18	164.52
iii) Mortgage Term Loans :			
Under Textile Upgradation Fund Scheme			
State Bank of India			
Term Loan for Machinery Project	721.00	394.94	485.70
Term Loan for Machinery Project	432.00	369.54	399.91
iv) Of the above mortgage term loans :			
Loans repayable within one year are as under :			
State Bank of India		156.00	156.00
Union Bank of India		211.84	143.14
Catholic Syrian Bank Limited		89.92	105.27
		<u>457.76</u>	<u>404.41</u>
v) The company has been granted various cash credit facilities towards its working capital requirement from its Bankers as under :			
State Bank of India		356.00	356.00
Union Bank of India		410.00	410.00
Catholic Syrian Bank Limited		147.00	147.00
		<u>913.00</u>	<u>913.00</u>
Cash Credit		913.00	913.00
Foreign Bills Discounting Facility		100.00	100.00
		<u>1,013.00</u>	<u>1,013.00</u>

The Company has availed the following cash credit facilities/
bills discounting facility etc towards its working capital
requirement from its Bankers as under :

State Bank of India	362.69	458.47
Union Bank of India	581.24	458.07
Catholic Syrian Bank Limited	131.66	89.35
	<u>1075.59</u>	<u>1005.89</u>

- a) The above facilities are secured by way of hypothecation of Stocks in trade, besides a first charge on its fixed assets.
- b) All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company.
- c) An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Managing Director.
- d) Managing Director and three other directors have furnished his personal guarantee to Bankers for the loans so availed.
16. Liability to Sales tax Deferral Scheme is guaranteed by the Managing Director personally 58.33 64.45
17. The Company provides for Depreciation, on straight line method adopting the rates laid down under Schedule XIV of the Companies Act, 1956 with assets costing less than Rs.5,000 written off in the year of use.
18. a) Names of Small Scale industrial undertakings to whom amounts are due to more than 30 days. NIL NIL
- b) The Company is yet to receive information from the Suppliers who are covered under Micro, Small and Medium Enterprise Development Act, 2006 and hence no information as required by Schedule VI has been adduced; the creditors have accordingly classified as "others"
19. There are no dues to Investor Education & Protection Fund
20. Balances with Scheduled Banks Include : Rs. Rs.
- | | | |
|--|---------|---------|
| Towards unclaimed dividend in Current Accounts | 637,139 | 504,916 |
|--|---------|---------|
21. Amount due from officers of the Company included under 'Advance to Staff & Others' is 1,00,000 1,00,000
and the maximum amount due at any time during the year was 1,00,000 1,00,000
22. Aggregate Advance towards Direct Taxes
- | Assessment | Year | Advance Tax | TDS | FBT | Total | Net Prepaid Taxes |
|------------|---------|------------------|----------------|----------------|-------------------|-------------------|
| Income Tax | 2004-05 | 1008706 | 150,387 | -- | 1,159,093 | (9,093) |
| Income Tax | 2005-06 | 817143 | 120,124 | -- | 937,267 | (12,267) |
| Income Tax | 2006-07 | 1842659 | 163,407 | 151,765 | 2,157,831 | (176,831) |
| Income Tax | 2007-08 | 4449867 | 211,106 | 126,964 | 4,787,937 | (53,437) |
| Income Tax | 2008-09 | 1274625 | 191,701 | -- | 1,466,326 | (208,726) |
| | | <u>9,393,000</u> | <u>836,725</u> | <u>278,729</u> | <u>10,508,454</u> | <u>(460,354)</u> |
- | Provision for taxation | Income Tax | FBT | Total |
|------------------------|------------|---------|-----------|
| Income Tax 2004-05 | 1,150,000 | 0 | 1,150,000 |
| Income Tax 2005-06 | 925,000 | 0 | 925,000 |
| Income Tax 2006-07 | 1,981,000 | 0 | 1,981,000 |
| Income Tax 2007-08 | 4,644,000 | 90,500 | 4,734,500 |
| Income Tax 2008-09 | 1,061,900 | 195,700 | 1,257,600 |
23. Income Tax Assessment is pending for the Assessment year 2006-07

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24. The company is liable to income tax under Minimum Alternate Tax (book profit tax) and accordingly liability has been provided.
25. Net Deferred Tax Asset/Liability in respect of the year ending 31st March 2008 and earlier credited/debited to profit & loss account and Net Deferred Tax Liability as on 31st March, 2008 are computed as below

Sl. No.	Particulars	Opening Balance	Added During the Year	Reversed during the Year	Closing Balance
A.	Deferred Tax Assets		-		
	Carried over Depreciation Allowance/ other expenses	-	45.45	-	45.45
	MAT Credit	41.19	39.17	41.19	39.17
	TOTAL - A	41.19	84.62	41.19	84.62
B.	Deferred Tax Liability				
	Depreciation	398.19	2.12	-	400.31
	Deferred Revenue expenses amortized	-	16.84	-	16.84
	TOTAL - B	398.19	18.96	-	417.15
	Net Deferred Tax Assets (A-B)	(357.00)	65.66	41.19	(332.53)
	Net Deferred Tax Credited to P & L	-	-	-	24.47

26. Gross Sales exclude Excise Duty, Sales Tax/VAT Surcharge and Cess collected thereon, as detailed below

Particulars	2007-2008		
	Cotton Yarn & Fabrics	By Product	Misc Items
Product Value	430,888,346	28,096,560	167,643
Excise Duty	-	-	-
Sales Tax / VAT	7,502,808	1,143,249	35,754
	438,391,154	29,239,809	203,397
Particulars	2006-2007		
	Cotton Yarn & Fabrics	By Product	Misc Items
Product Value	382,862,641	22,770,651	254,572
Excise Duty	41,136	-	-
Sales Tax / VAT	11,344,306	852,398	45,053
Surcharge on Sales Tax/VAT	-	286,192	-
	394,248,083	23,909,241	299,625

27. Details of Interest paid on Secured Loans

	31st Mar 2008	31st Mar 2007
1) On Term Liabilities to Banks	24,144,889	15,437,264
Less : TUF Scheme Eligibility	9,454,508	6,061,424
	14,690,381	9,375,840
2) On Working Capital Liabilities to Banks	9,365,204	4,753,788
	24,055,585	14,129,628

28. The Company has complied with the applicable Accounting Standards specified and issued by the Companies (Accounting Standards) Rules, 2006 and the compliance of the applicable standards are as below :

29. Borrowing Cost capitalised during the year		NIL	NIL
30. The Company operates only on one segment which is the company's primary segment i.e. is	COTTON TEXTILES		
31. Recurring annual subscription to Textile Research Institutions SIITRA		20,355	27,050
		<u>20,355</u>	<u>27,050</u>
32. Valuation of Closing Stock :			
Stores & Spares	At Cost		
Raw Materials Cotton	At Lot Wise Cost		
Finished Goods Cotton Yarn	Lower of Cost or Net Realisable Value		
Finished Goods Hosiery Fabrics	Lower of Cost or Net Realisable Value		
Cotton Waste	Net Realisable Value/Since Realised Rates		
Work in Progress	At Cost		
First in-First out formula is used while determining the cost of all the above items, except cotton for which actual cost formula is used.			
33. In terms of the Accounting Standard 18 requiring disclosure of related parties, the following persons has been identified as Related Parties :			
Shyamlal Agarwala	Managing Director		
Manoj Kumar Jhahjaria	Joint Managing Director		
Pramod Kumar Jhahjaria	Chief Executive		
Preeti Tex	Common Control		
Preeti Cotspin Private Limited	Service Provider		
Preeti Tex	Service Provider		
34. Transactions with Related Parties :			
Nature of Transaction			
i) Rent Payments to Related Parties -Administrative Office (Relative of Managing Directors)		72,000	72,000
ii) Advance towards Rent Payments to Relative parties - Administrative Office (Relative of Managing Directors)		60,000	60,000
iii) Remuneration to Related Parties			
a) Managing Director			
Salary		600,000	525,000
Commission		--	415,770
		<u>600,000</u>	<u>940,770</u>
b) Joint Managing Director			
Salary		540,000	450,000
		<u>540,000</u>	<u>450,000</u>

*Remuneration to the managing directors do not include gratuity provision not so far recognized in the accounts for the past services rendered by them even though they have already put the qualifying period

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iv) Chief Executive		
Salary	100,320	100,320
Company's Contribution to PF & Other Funds	<u>13,680</u>	<u>13,680</u>
	<u>114,000</u>	<u>114,000</u>
v) Fabrication Charges received		
From Preeti tex (Firm)	--	62,250
From Preeti Cotspin Private Limited	115,382	--
vi) Sales		
By Product - Cotton Waste to Preeti Cotspin Private Limited	2,489,706	--
35. Auditor's Remuneration		
Statutory Auditor's Remuneration		
Audit Fees	50,000	42,000
Tax Audit	11,000	9,000
Other Services	76,050	48,817
Reimbursement of Service Tax	<u>16,816</u>	<u>12,337</u>
	<u>153,866</u>	<u>112,154</u>
Cost Auditor's Remuneration		
Audit Fees	10,000	10,000
Reimbursement of Service Tax	1,236	1,236
36. In terms of the Accounting Standard 20 relating to Earnings Per Share (EPS) the following information is furnished:		
Profit available for distribution to Equity Shareholders :	10,757,418	26,901,458
Number of Equity Shares	5,351,100	5,351,100
Earnings Per Share	2.01	5.03
37. Computation of Profits for the purpose of Commission to Managing Director		
Net Profit as per Profit & Loss Account Before Tax	9,568,018	40,601,994
Add Directors Remuneration	1,162,000	1,003,200
Add Depreciation Charged in Books of Accounts	40,151,690	36,081,253
	50,881,708	77,686,447
Less Depreciation Pursuant Section 350	40,151,690	36,081,253
Less Director's Remuneration	1,140,000	1,390,770
Less Sitting Fees	22,000	28,000
Net Profit for the purpose of Section 349	10,708,018	41,577,194
Commission @1%	107,080	415,770

In view of the inadequency of the net profits minimum remuneration has been paid to the managing directors and hence no commission has been provided for.

38. In terms of the Accounting Standard 22 working for Deferred Tax Asset has been recognized on account of prudence and the estimated realizability within a reasonable point of time

39. In the opinion of the Board of Directors :

- a. All the current assets, loans and advances would realise the value stated in the normal course of business.
- b. There are no overdue payments to small scale units attracting interest in terms of Micro, Small & Medium Scale Enterprises (development) Act, 2006
- c. There are no outstanding payments to small scale industrial undertakings in excess of 30 days each part aggregating to Rs.1,00,000/- or more.

40. Figures for the previous year have been reclassified and regrouped wherever found necessary.

SIGNATORIES FOR SCHEDULES AND NOTES FORMING PART OF ACCOUNTS 1 to 26

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
Membership No. F-13729

(Sd)..

MANOJ KUMAR JHAJHARIA
Joint Managing Director

Place : COIMBATORE
Date : 23.06.2008

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

	31.3.2008 (Rs.in Lacs)	31.3.2007 (Rs.in Lacs)
A. Cash flow from Operating Activities:-		
Net Profit before taxation and extra ordinary items	95.68	406.02
Adjustments for:-		
Depreciation	401.52	360.81
Deferred Expenses written off	6.19	0.00
Profit on sale of fixed assets	(-) 5.56	(-) 5.29
Interest and financial charges	257.31	154.73
Dividend Income	(-) 0.08	(-) 0.19
Interest receipts	(-) 8.53	(-) 54.50
Direct Taxes	(-) 12.58	(-) 109.71
Operating Profit before Extra ordinary items	<u>733.95</u>	<u>751.87</u>
Adjustments for :		
Excess depreciation withdrawn -Prior year	0.00	(-) 36.72
Operating Profits before Working Capital Changes	<u>733.95</u>	<u>715.15</u>
Adjustments for working capital changes :-		
(Increase)/Decrease in Current Assets / Loans & Advances		
Inventories	17.30	(-) 123.94
Sundry Debtors	83.89	(-) 175.05
Loans and Advances	(-) 67.48	12.26
Accrued Income	(-) 83.86	(-) 54.56
Increase/(Decrease) in Current Liabilities / Provisions		
Current Liabilities	61.30	(-) 40.73
Provisions	(-) 49.48	49.41
Net Cash from operating activities	<u>695.61</u>	<u>382.55</u>
B. Cash flow from Investing Activities:-		
Dividend Income	0.08	0.19
Interest receipts	8.53	54.50
Sale of Investments	0.02	0.00
Purchase of Fixed Assets	(-) 1046.53	(-) 352.58
Advance for Capital Goods	41.78	(-) 115.18
Deferred revenue expenses	(-) 55.73	0.00
Sale of Fixed Assets	8.56	12.92
Net cash from investing activities	<u>(-) 1043.29</u>	<u>(-) 400.16</u>
C. Cash flow from financing activities:-		
Increase/(Decrease) in Secured Loan	525.14	346.49
Increase/(Decrease) in Unsecured Loan	(-) 64.45	(-) 34.49
Interest and financial charges	(-) 257.31	(-) 154.73
Increase in Share Capital	1.20	4.30
Net cash from financing activities	<u>204.58</u>	<u>161.56</u>
Net increase/(decrease) in cash & cash equivalents	(-) 143.10	143.95
Cash & cash equivalents at the beginning of the year	<u>216.36</u>	<u>72.41</u>
Cash & cash equivalents at the close of the year	<u>73.26</u>	<u>216.36</u>
	<u>143.10</u>	<u>(-) 143.95</u>

As per our report of even date attached

on behalf of the board

For VKS AIYER AND COY

Chartered Accountants

(Sd)..

V.S. SRINIVASAN

Partner

Membership No. F-13729

Place : COIMBATORE

Date : 23.06.2008

(Sd)..

SHYAMLAL AGARWALA

Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA

Joint Managing Director

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2008
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :-

Registration No.	: 181-4797
State Code	: 18
Company Unique Identification No.	: L17111TZ1994PLC004797
Balance Sheet date	: 31.03.2008
Date of Previous AGM	: 22.09.2007
Date of Current AGM	: 11.09.2008

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	: 529336
Total Assets	: 529336

Sources of Funds (Rs.)

Paid-up Capital	: 53157
Reserves & Surplus	: 65786
Secured loans	: 312454
Deferred Tax Liability	: 33253
Unsecured Loans	: 64686

Application of Funds (Rs.)

Net Fixed Assets	: 343113
Investments	: 286
Net Current Assets	: 180983
Misc. Expenditure	: 4954

IV. PERFORMANCE OF COMPANY (Rs.in 000'S)

Total Turnover	: 461712
Total expenditure	: 453561
Profit Before Tax	: 8151
Profit After Tax	: 10757
Earning per share in Rs.	: 2.01
Dividend rate	: 0%

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

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

ON BEHALF OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA
Joint Managing Director

Place: COIMBATORE
Date : 23.06.2008

CEO AND CFO CERTIFICATION

To the Board of Directors of SALONA COTSPIN LIMITED

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

- (a) We have reviewed financial statements and the cash flow statements for the year ended 31st March 2008 and that to the best of our knowledge and belief :
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2007-08, which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have not observed any deficiencies in the design or operation of internal controls; and
- (d) we have indicated to the Auditors and the Audit Committee that there are:-
 - (i) no significant changes in the internal control during the year
 - (ii) no significant changes in accounting policies during the year; and
 - (iii) no instances of significant fraud where the involvement of management or an employee having a significant role in the company's internal control system have been observed.

COIMBATORE 23.06.2008 **SHYAMLAL AGARWALA**
Managing Director (CEO)

M. S. SELVARAJ
Manager - Accounts (CFO)

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

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

Place: COIMBATORE
Date: 23.06.2008

For SALONA COTSPIN LIMITED
SHYAMLAL AGARWALA
Managing Director

CORPORATE GOVERNANCE - NON MANDATORY REQUIREMENTS - EXTENT ADOPTED

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

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Report

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

Place: COIMBATORE
Date : 23.06.2008

By order of the Board

(Sd)..
SHYAMLAL AGARWALA
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 Fourteenth 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 Thursday the 11th day of September, 2008 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 Fourteenth Annual General Meeting of the Company to be held on Thursday the 11th day of September, 2008 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.....2008

Member Folio Number

Signature

Affix a Rs.1.00 Revenue Stamp
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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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